*The China Weekly*

# REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

*July 1, 1939*

## American Leadership Needed

AN EDITORIAL

## Defense of the Settlements

BY JOHN AHLERS

## A Base Without a Navy

## Japan's Profitless Venture

BY GUZO HAKWAISHA

## Tientsin—Swatow—Foochow

## China's Spirit Undaunted

BY C. Y. W. MENG

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# What People Are Saying

**Comments from Readers on Current Topics are cordially invited; their opinions, however, do not necessarily represent the views of the *China Weekly Review*.**

## ONE WAY OUT

*To the Editor:*

One wonders why the Powers, that is, Britain and France, have not declared their intention of handing over their Concessions to China—when the Japanese were prepared to take similar action. The Japanese have concessions at Tientsin and Hankow and their ally Italy also has a Concession at Tientsin. Britain and France should announce their intention of restoring their concessions to **a representative** Chinese Government, just as soon as Japan is prepared to take similar action. Please note that I said representative Chinese government, not puppets, such as the Japanese military authorities have set up at Nanking and Peiping and are planning to establish at Hankow. The Japanese might announce their willingness to hand over their concessions to a puppet government which they controlled, but it is significant that while Japan has spread much propaganda about the necessity of recognizing the puppets, the Japanese have not done so themselves.

To pursue the subject further, the Powers might suggest to Japan that, pending the return of peace and the establishment of a **representative** government, all of the Concessions be amalgamated into International Settlements in which all the participating Powers would enjoy an equal voice. This would apply to Tientsin and Hankow and might even be done here through the amalgamation of the French Concession with the International Settlement (including Hongkew).

It seems to me that unless something along this line is done, there is little hope of maintaining the integrity of the Concessions. It is, of course, doubtful whether Japan would accept such a proposal, but it would be interesting to hear what they would say about handing over their Concessions simultaneously.

READER.

Shanghai, June 25, 1939.

## WHERE TO SPIT?

*To the Editor:*

The anti-spitting campaign has been forgotten in the excitement of the "Safety First Campaign," but to get back to the subject of expectoration, one wonders why someone didn't suggest a sensible solution of the problem. Since persons must expectorate, the sensible thing to do would be to provide a convenient and sanitary place.

One or two oil tins filled with sand and anchored to walls or telephone poles in every block would serve the purpose and probably would be used by most of the multitude, providing they were suitably labeled. The well-meaning people who fostered the anti-spitting campaign failed of their objective by leaving the subject up in the air, so to speak.

The writer seems to remember that the Ratepayers once adopted an anti-spitting resolution, making it a crime, or at least a misdemeanor for one to expectorate from the window of a tramcar or other vehicle. It seems that the proposer of the resolution was once walking in the street when—but why pursue the subject? But my suggestion about the oil tins filled with sand—which the street-cleaning coolies could empty nightly—still stands as the only logical solution of this problem in this over-crowded metropolis which has overflowed the sidewalks and must use the streets, including the gutters.

SAFETY FIRST.

Shanghai, June 20, 1939.

## IN HONOLULU

*To the Editor:*

The bulk of the citizenry here—yes in Honolulu!—are absolutely insensible to Pacific problems, while the tourists, befuddled by tourist propaganda, have no interest whatsoever. The press here which must, to no small extent, depend upon Japanese advertising, neatly sidesteps most issues which verge on controversy.

The papers play up Army and Navy expenditures for defense, but neglect to mention any reason why millions are being spent for fortifications right in the heart of their city. The city's authorities are immersed in petty politics and the graft which goes with it. Only the Army and Navy people know the seriousness of the Pacific problem, and how important Oahu, with its Pearl Harbor, its growing number of Army air bases, is to the United States.

EX-SHANGHAI.

Honolulu, June 15, 1939.


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REVIEW
Formerly Millard's Review

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# Settlement of Far Eastern Crisis Requires Active American Leadership

SEVERAL days ago it was announced that the Department of State was planning to issue shortly a complete report of some 150 cases of damages suffered by American property resulting from Japanese airbombing activities since the beginning of the hostilities.

In addition it was reported from Washington (June 23) that the State Department was also preparing to publish hitherto secret reports from Consular agents in China regarding treatment accorded American citizens by local Japanese authorities.

It was stated that in each instance the State Department had lodged a protest with the Japanese.

One message from Washington through the French *Havas Service* said that the State Department heretofore had sought to give the impression that the Far Eastern situation today was no different from conditions prevailing at other times, the purpose apparently being to calm public opinion. It was therefore held certain that publication of the reports from American consuls scattered over China citing their experiences in dealings with Japanese would have a contrary effect. The message also stated that the tone of the American press contrasted greatly with the pronouncements of the Department of State. Certain papers opposing the New Deal had commented that publication of the State Department's list of grievances against Japan "would reflect little credit upon Administration policy in putting up with Japanese abuses for so long a period without doing something drastic about it." However, it was felt publication of a detailed list of Japanese infringements upon third party rights would tend to break down prejudice against American cooperation with Britain and France in defense of their common interests in China.

A survey of American public opinion had indicated to Administration leaders that the people were becoming psychologically prepared for a more realistic attitude toward the crisis in the Orient; that Japanese action at Tientsin which had the effect of paralyzing American trade, had brought home to the American people that there were vital issues involved which affected Americans as well as Europeans. While the United States was not concerned with the original incident which precipitated the controversy between the authorities of the British Concession and the Japanese at Tientsin, it was "deeply concerned with the nature and significance of subequent developments." Japan's refusal to respond to the offer of the American Consul-General to mediate before the Japanese blockade was declared, had likewise not improved Japan's position with regard to public opinion in the United States.

According to a report by *United Press*, "the official viewpoint was that although the United States was not interested in the original issue which was the immediate reason for the Tientsin crisis, the United States was vitally concerned over the broader implications of the situation, injected by Japan after the Japanese blockade had been imposed. Officials pointed out that it was Japan, and not Britain which had brought the United

**Four Reasons for Amending Neutrality**

*Knott in Dallas, Texas, Morning News*

States into the Tientsin crisis by paralyzing American trade and subjecting Americans to the hardships of food shortage and inconveniences of passing closely guarded Japanese sentry posts.

Furthermore, Japanese action at Kulangsu and Shanghai and attempts to drive away American warcraft stationed at Swatow for the purpose of protecting American citizens, had forced the authorities at Washington to take a firm stand in rejecting any broader implications in Japan's demands. Secretary of State Hull's declaration had therefore indicated to Japan that there was no divergence of attitude on the part of the United States from that of Britain and France.

The declaration of Admiral Harry E. Yarnell that there would be no toleration of any violation of American rights in China by either the Japanese military or naval authorities, had aroused general approval. Admiral Yarnell, according to the report, had been instructed to protect American interests and lives, "even at the risk of causing aggravation of the already tense situation." Admiral Yarnell, in a message to Admiral William Leahy, chief of Naval operations, stated that he had informed the Japanese that the United States intended to protect American citizens wherever necessary and that every effort would be made to avoid interference with Japan's operations in this connection.

There are several measures pending in Congress at present which, if adopted, would seriously affect Japan's international trade and financial position. Up to the present the Administration has not given any of these measures official support although agitation throughout the country for more definite action against Japan has grown more pronounced.

As a direct result of Japanese activities at Tientsin and elsewhere in China strong agitation has developed in the United States that definite action against Japan should be taken along two lines:

1—Decree an embargo on the export of arms, ammunition and war materials to Japan.

2—Enforce economic sanctions against the Nipponese Empire.

According to messages from Washington by practically all news services, the question of action against Japan was the most discussed issue in political and lay circles. Recent publication of statistics had shown that 57 percent of Japan's imported war materials were purchased in the United States. These revelations had aroused the feeling that the United States was indirectly responsible for the continued Japanese invasion of China. In addition the Japanese were trying to undermine Chinese national currency which the United States had suported with a loan of U. S. $25,000,000. Finally, the Japanese, after injuring Chinese interests, had continued to extend the bounds of their objectives. Japanese propaganda attacks on foreign nations for extending assistance to China had included the Russians, then the French and now the British; hence the assumption was that the United States would be next on the schedule, providing the Japanese were successful in obtaining their objectives in their present attacks on the foreign concessions. Unless a halt is called, American interests will be "fatally injured as a result of the development of Japanese activities in the Far East," stated one report. Although it was felt that the United States should not take military action to stop Japanese aggression, it was believed that the United States should act at once to prevent Japan from receiving further aid or credits from American sources. As an embargo on arms and munitions might prove impractical due to the necessity of enforcing the Neutrality Act against China as well as Japan, opinion generally favored the enforcement of economic sanctions. While isolationists expressed the fear that economic sanctions would lead to war, this was not felt to be true because of Japan's present difficult economic and military position. It was believed that Japan, despite the irresponsible activities of her militarists, would not venture involvement in a general conflict because the complete exhaustion of her gold reserves is already leading toward a grave crisis in the Island Empire.

"Hypnotizing Uncle Sam"

YOU HAVE FORGOTTEN THE NASTY OLD WAR DEBTS
YOU WANT TO SAVE THE WORLD
YOU ARE GOING ON A LONG VOYAGE
I THINK WE'VE GOT HIM AGAIN.

*Daily Courant, Hartford, Conn.*

Senator Elbert C. Thomas of Utah declared in the course of an address before members of Canadian organizations in New York on June 22 that the United States should do three things: (1) make it known that we are prepared to start new consultations; (2) lend money to China; (3) refuse to lend money or extend credits to Japan. He expressed the belief that such an attitude on the part of the United States would result in Japan's acceptance to engage in consultations. He expressed the opinion that Japan is "tired of her adventure in China." Senator Thomas also expressed the view that United States' defenses in the Pacific also included the coast of Canada.

Representative John M. Vorys, Republican of Ohio, expressed the view that if the United States "held firm," Japan would be forced to retreat from her present move against the foreigners. Representative Carl Vinson, Democrat of Georgia, author of the Naval Expansion Bill, expressed hearty approval of Admiral Yarnell's refusal to withdraw American war vessels from Swatow harbor. These expressions and others indicated that American leaders as well as the press and unofficial organizations interested in peace, were studying and discussing ways and means for taking efficient and effective action to secure an easing of the Far Eastern situation "in which the United States is by no means disinterested." Public opinion, while not contemplating the extreme measure of war, nevertheless seemed disposed to approve methods of economic pressure on Japan which might produce the desired effect. A boycott, suspension of all commerce with Japan and even a blockade were being discussed as a means of maintaining the Open

Door in China and preventing it from being closed to foreigners as a result of Japanese aggression.

An unnamed "high personality in the White House entourage" was quoted as stating, semi-officially, that "the relatively moderate tone of the United States' protests, and efforts to find a peaceful solution of the Tientsin problem, should not be interpreted as excluding more vigorous methods to insure respect for American rights if Japan persists in her aggressive attitude." Government quarters generally asserted that the gravity of the Tientsin and Swatow issues "involved more than immediate damage suffered by American interests . . . there is a growing conviction that the series of incidents in China will eventually place the United States before the dilemma—total abdication from Far Eastern affairs or determined resistence . . . it was generally realized that Japanese were attacking the British and French concessions only because they counted on the impossibility of these two powers to reinforce their Far Eastern fleets with units from European waters."

Newspapers throughout the country declared that American cooperation was indispensable to arrest Japan's attempt at Pan-Asiatic domination. Japan's activities in dividing her opponents and "playing one nation against another" were comparable to the present methods of Germany in gaining concessions on the continent.

Newspaper editorial opinion in both Britain and France supported the idea that the United States held the balance of power and was in a position to exercise potent influence in preventing militarist Japan from taking advantage of her relationship with the axis powers in Europe to accomplish her designs. The *Manchester Guardian* declared that no action which the British might take could be effective without the cooperation of the United States.

## NEW NEUTRALITY MEASURE

The debate on the revised Neutrality Bill opened in the House of Representatives on June 27. The new measure, introduced by Representative Sol Bloom of New York, contained six provisions: (1) In case of war and when necessary for the protection of American citizens, the President may designate the countries engaged in war: (2) After issuance of the proclamation, Americans will be prohibited from traveling on ships of the countries engaged in war: (3) Citizens of the U. S. shall not extend credits, apart from short-term commercial credits, to the countries involved in the conflict. All short-term credits must be made public every three months and there shall be no transactions in government securities of the said countries: (4) Purchases of belligerents in the United States must be outright sales so that property rights on goods destined for belligerents must change hands before leaving American ports: (5) The President must make public all contributions sent by Americans to belligerents out of humanitarian considerations: (6) Provisions of the law are not applicable to the American continent.

The Isolationists

DOWN BELOW THE RIO GRANDE* THE MEXICANS HAVE SEIZED OUR LAND AND OFFERED US A SONG.
* NO FOREIGN PRONUNCIATION HERE!
FRANCE AND BRITAIN SEND REGRETS WHEN ASKED FOR PAYMENTS ON THEIR DEBTS. THEY KNOW THEY DONE US WRONG!
IN SOUTH AMERICA, WE'RE SURE, DEMOCRACY IS NOT SO PURE, AND CUBA'S PRETTY BAD.
SO LET US SIT AT HOME AND CURSE THE WHOLE EXISTING UNIVERSE, AND QUIETLY GO MAD.
HERBLOCK

*Herblock in the Washington, D. C. News*

Two amendments have been submitted: (1) The President would not be permitted to designate the zone of hostilities into which Americans or American ships would be prohibited to enter: (2) Congress, instead of the President, should fix the term for usual commercial credits, which should not exceed 90 days.

It was thought, according to news dispatches, that the new measure, which eliminates the previous prohibition against sale of munitions and war materials, had a fair chance of passage in the House, but its chances in the Senate were regarded as problematical due to opposition of the isolationist Senators. It was suggested that the President might call a special session of Congress

in the event of failure of Congress to enact the new measure.

Senator William H. King, Democrat of Utah, demanded that the United States take steps to protect its rights in China. He praised the attitude of the American Government in the Tientsin, Kulangsu and Swatow incidents and declared there was no reason why the United States should not protect the rights of China as well as those of Americans. Senator King also praised the action of Admiral Harry E. Yarnell in denying Japan's right to say where American ships should or should not to go protect Americans. The Senator declared, "We have treaty obligations in China and elsewhere in the Far East. We must defend our rights as well as fulfill our obligations. There is no reason to scuttle our trade and cultural interests in the Orient and fail to defend the obligations of the Chinese as well as our own nationals."

The U. S. Department of Commerce issued a report stating that Japanese trade and finance had been hard hit by the war. The report reached the following conclusions:

1—Japan's export trade has diminished drastically because of her inability to finance the purchase of raw materials.
2—Japan's gold reserves have dwindled and are believed to consist entirely of the Bank of Japan's domestic reserves.
3—Japan's national debt has tripled since 1931.
4—Higher production costs, heavier taxes and increased living costs have reduced Japanese farm income.

Charles A. Eaton, Republican from New Jersey, who supported the new Neutrality Bill, declared, "I suffer acutely when I hear that the great British Empire has been brought to a point where it permits Japanese soldiers to strip a British woman." He urged the United States to discard the Neutrality Law and return to the "sound principles of International law."

Paul V. McNutt, High Commissioner to the Philippines, who reached San Francisco on June 25, declared in an interview that the United States should retain the Philippines. He said that the Filipinos face extinction and the United States would "lose its voice in the Orient unless the American flag continues to fly over the Philippine Islands." He predicted a generation of trouble if the American flag were lowered. He declared, "Our flag and sovereignty should remain, allowing the Philippines every ounce of domestic autonomy they could absorb, and holding in American hands only matters pertaining to foreign affairs, tariffs, immigration, currency and public debt." These, he declared, are scarcely more than marks of the necessary reservations of a dominion.

In an address at the Golden Gate Exposition, Commissioner McNutt referred to America's position in the Orient by asking, "Are we on our way out?" Answering his question, he said, "Congress apparently thinks that we are on our way out, but the American people are sure to realize the situation has been entirely changed recently. If we are out, he declared, "we have thrown down three great principles, the Open Door, freedom of the seas and freedom of the air."

Commissioner McNutt advocated the admission of large numbers of Jewish refugees "who would supply the lever of technical ability to the undeveloped resources of the Islands."

According to *United Press* it was rumored in San Francisco that Commissioner McNutt would be supported by a strong organization in his candidacy for the Democratic nomination for President. It was claimed that his supporters had raised the sum of U. S. $2,000,000.

A *Reuter* report from Washington said that the new barter agreement between U. S. and Britain would prove a vital factor in U. S. policy in the Orient, due to the necessity of protecting trade routes.

## C. J. Spiker Made Consul-General at Hankow

CLARENCE J. Spiker, who has been U. S. Consul-General at Basle, Switzerland for the past three years, arrived in Shanghai last week on his way to Hankow where he will assume the post of Consul-General in that city. Prior to his appointment to Switzerland, Mr. Spiker had twenty-five years experience as an American consular official in various parts of China.

Mr. Spiker was born at Washington, D. C. and after graduation from high school studied engineering at George Washington University. After serving for a time with the Engineering Commission of the District of Columbia, he resigned and joined the State Department. He was sent to Peiping as a student interpreter in 1914 and became a vice-consul at Shanghai in 1916, later serving as American Assessor in the International Mixed Court where he exercised jurisdiction in civil and criminal cases. Later he was transferred to Antung, Manchuria and then to other posts, including Peking, Chungking, Swatow, Shanghai, Nanking and elsewhere. He was American commissioner on the Sino-American Claims Commission in 1928-1929 and also served as Second Secretary of Legation. In 1934 he was appointed Consul-General at Canton, a post he held until he was transferred to Switzerland. Mr. Spiker is married, but his wife is remaining in the United States for the present.

## Freighter Loaded With "Scrap" Held Up at Spokane

THE British freighter Bonnington, loaded with scrap-iron destined for Japan, was held up at Tacoma, Washington on June 25 because of the refusal of longshoremen to pass picket-lines established on the dock by the American Committee for Non-Participation in Japanese Aggression. The picket lines were established by the local chapter of the Committee in Spokane. The head of the organization, which is national in scope, is Col. Henry L. Stimson, former Secretary of State. The object of the organization is to prevent shipments of munitions and basic war materials from the United States to Japan.

Another British-registered ship, the freighter Temple Bar, also loaded with scrap-iron for Japanese munitions works, sank off Quillayute, Washington, on April 9. The crew, numbering 36, was rescued, but the cargo consisting of 8,000 tons of scrap iron was a total loss. The ship struck a submerged rock. When news-reel pictures of the wrecked Temple Bar were shown to an international audience at the Cathay Theater in Shanghai recently, the entire audience applauded the scene for several minutes.

## U. S. China Trade Act Firms Must Pay Taxes

The U.S. Senate, on June 22, enacted a provision cancelling preferential tax rates previously enjoyed by American companies which were incorporated under the China Trade Act, originally passed by Congress in 1923. The Senate's action also included elimination of the so-called undistributed profits tax and substituted a flat 18 percent corporation tax on all firms earning in excess of U.S. $25,000 annually. So-called nuisance taxes, which yield the sum of U. S. $544,300,000 annually were extended for another two years. The new tax measure, approved by the Senate on June 22, provides for raising a total of U.S. $1,644,400,000 in various forms of taxes.

Elimination of the special tax reduction on profits of China Trade Act firms, will remove an advantage which those companies have had over concerns incorporated under the laws of the state of Delaware. The China Trade Act, designed to place American firms on an equal competitive basis with companies of other nationalities trading in China, was passed by Congress in 1923. The Act included a provision whereby firms were permitted to deduct from their returns all taxes upon profits originating from non-American sources. A. Viola Smith, U.S. Trade Commissioner at Shanghai, is Registrar of China Trade Act companies. Along with other activities of the U. S. Department of Commerce, the office of Registrar recently was transferred to the administration of the U. S. Consulate-General at Shanghai. The activities of the U. S. Department of Agriculture, which has maintained a separate office here for several years, have also been transferred to the Consulate-General.

What action the House of Representatives will take with regard to the elimination of special tax advantages enjoyed by China Trade Act companies, is not yet known.

# Imperative Necessity for Western Cooperation Against Japanese Aggression

BY JOHN AHLERS

THE blockade of British and French Concessions in Tientsin, the naval blockade of the Foreign Settlement on Kulangsu Island, the unabated isolation of the French Concession and the other special districts in Hankow as well as of the Foreign Settlement on Shameen Island, opposite Canton, and finally the pressure which the Japanese are exerting upon the Shanghai Municipal Council have acquainted every one with the real situation in the Far East.

All western concessions and settlements in China are facing a common danger. The same power is steadily encroaching upon their rights and interests. Though Japanese proceedings against these special areas are variously motivated, and although the measures of pressure exercised in Shanghai, Tientsin, Canton, Hankow and Kulangsu differ in minor respects, there can be no longer any doubt that militaristic Japan has definitely embarked upon a major campaign of encirclement, isolation, boycott, blockade and economic starvation against all non-Japanese concessions and settlements in this country. All westerners are in the same boat!

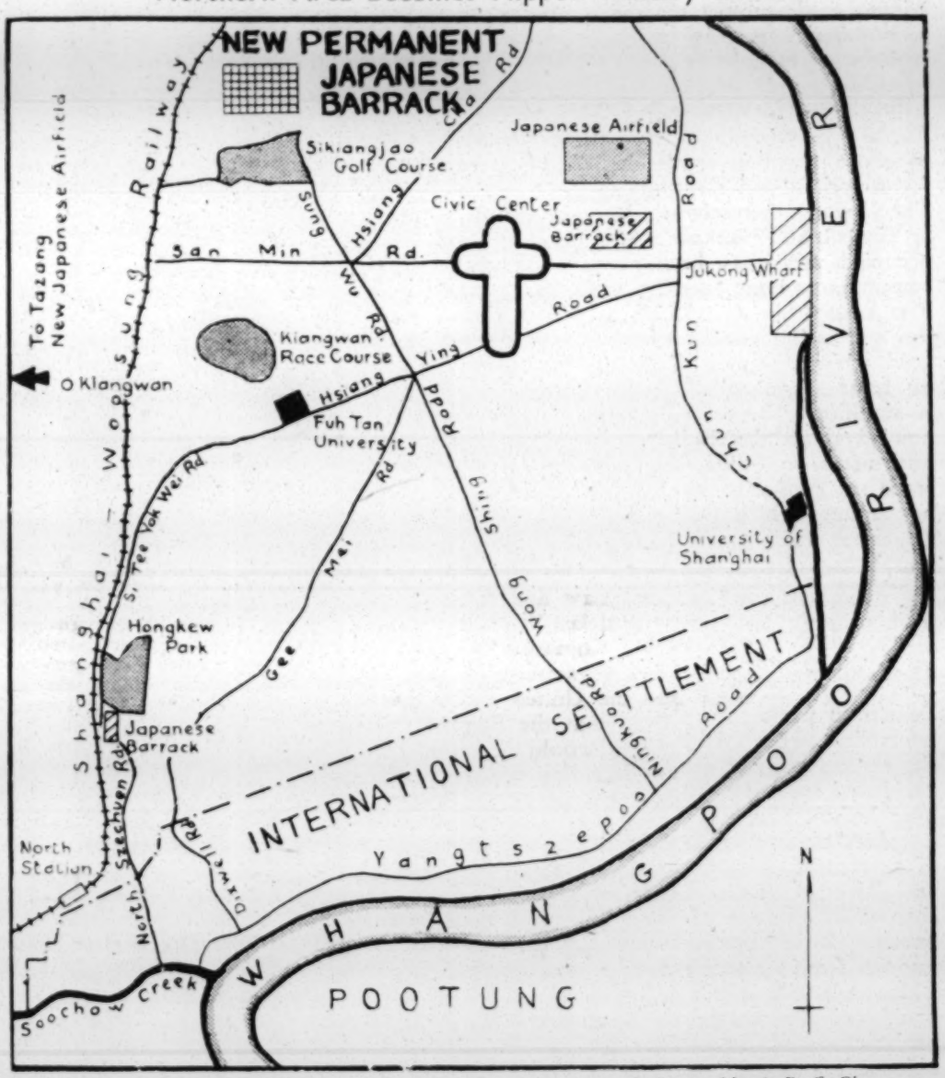
There also are no further illusions as to possibilities of lasting arrangements with Japan as regards these special areas. Japanese attitude, in this respect, has undergone a fundamental change. In the past, and even after the beginning of the Sino-Japanese War, the Nipponese were fervent promoters of foreign concessions and settlements in China, whether Japanese or non-Japanese. Tokyo used all of these areas as spearheads for Japanese penetration into China.

But the situation has completely changed—all foreign concessions and settlements are now within Japanese-occupied territory. Japanese dominate the hinterland and make use of it as a base of operation against the concessions. Nippon no longer views concessions and settlements as convenient "spring boards" for herself, but as gateways for others to penetrate into her new conquests in China. It has become the established Japanese policy to close these gateways, a policy voiced repeatedly by the present Tokyo Foreign Minister.

Japanese demand, in the names of the various puppet governments which they have set up in this country, what they prefer to call "rendition" of the foreign settlements and concessions. This demand thus far has not assumed the form of an actual request formally addressed to the western powers concerned. Such a request, however, is likely to be made at no distant future. Present Japanese mopping-up campaigns against the areas in question are but preparation for the final blow which is to be delivered later—after Japanese plans of weakening western resistance may have materialized.

With such a policy there is little or no possibility for compromise. Bitter experience tends to show that every advantage which the Japanese acquire over the settlements and concessions inevitably leads to further Japanese demands with no end in sight. Pretext after pretext is being invented to excuse action taken to reduce still more the independence of these areas. Whatever the administrations of the concessions and settlements

## Northern Area Becomes Nippon Military Zone




*Review Map by P. C. Chen*

**This map, showing the location of the new Japanese barracks beyond the Sikiangjao Golf Course, indicates the extent of Japanese military development in the Shanghai area. The new barracks, according to eye-witness, constructed in permanent manner with brick walls and corrugated iron roofs, would accommodate from 50 000 to 60 000 troops (some say they might serve as a "concentration" camp). In addition to this development there are said to be further establishments in the vicinity of Woosung where no foreigner is permitted to venture. Also, there is a report that the Japanese are planning to connect Soochow Creek with Woosung Creek and thus divert that important waterway traffic away from the settlement and into Japanese-controlled territory.**

might concede to the Nipponese, Japanese warlords will regard every new advantage as a mere stepping-stone toward their final goal, the abolition of the western-administered special districts on the China coast.

In the past, the Western Powers more than once envisaged ultimate rendition of their concessions and settlements in China. But the only rendition ever considered was rendition to an independent Chinese National Government. Never did any western power consider the turnover of its special territorial rights in China to a non-Chinese power. Never, in particular, has cession to Japan of these rights been under consideration—not by any possible stretch of the imagination.

"Rendition" of concessions and settlements to the Nippon-made puppet regimes, however, would amount to nothing more than cession to Japan. These puppet regimes are completely dominated by Japanese and have furnished ample prooof that they are nothing but instruments of anti-western discrimination in Japanese hands. To turn over the concessions and settlements to those regimes would be disastrous, in particular, for American and European business interests in China. The Japanese themselves might give up their concessions in Tientsin and Hankow, since the whole of the Nippon-occupied areas has been turned into what practically amounts to a huge Japanese concession. But the westerners cannot do so. Their special territorial rights in the concessions and settlements today form the chief hold which they continue to have upon the business of Japanese-controlled territories in this country. It is significant, however, that while the Japanese have howled about the rendition of foreign concessions and settlements to China, the Japanese warlords have not made any moves to return their concessions to the puppet regimes which they claim to love so much.

The entire trade position of western nations is closely bound up with, and largely dependent on, the continuous existence of their concessions and settlements. This applies, in particular, to the International Settlement and the French Concession at Shanghai, as well as to the British and French Concessions in Tientsin. Trade statistics show that commercial transactions of these two ports have declined less than those of fully controlled ports. It is chiefly due to the existence of the settlements and concessions in these two cities, that occidental trade dominates the trade of China more than ever before.

In the first four months of the current year, almost 80 percent of China imports was transacted via Shanghai and Tientsin alone. Shanghai accounted for no less than 46.76 percent of these imports, and Tientsin for another 27.40 percent. Of Japanese-occupied areas' imports from western countries, over 90 percent entered China via Shanghai and Tientsin. These imports could only be maintained because the existence of the settlements and concessions retained in these cities an independent open money market with free possibilities of purchasing exchange to pay for those imports. If these conditions were changed, Shanghai's and Tientsin's trade would be destroyed.

The reader may well imagine what western business in Shanghai would be if the International Settlement and the French Concession were abolished. The whole city would be "one big Chapei." Japanese would dominate everything everywhere. There would be no end to "permitting, licensing, restricting and controlling." Exporters would have to obtain exchange at some artificial rate fixed at the pleasure of the Yokohama Specie Bank. Importers would have to depend for exchange upon the goodwill of that institution. Western ships would be subject, in the Whangpoo River, to the conditions of Tsingtao. All of us would have to use "Hongkew money" or Japanese yen only. All of our mail would be strictly censored, newspapers and books from abroad which we want to read would be withheld, and the Nanking puppet regime's tax collectors would haunt everybody.

All realize the danger, but what about countermeasures? Has everything been done that could be done in that direction? All the foreign concessions and settlements and residents therein are in the same boat. There is no longer room for argument on the point. But have they been co-operating to the extent required by the situation? The answer is No! If all these areas, from the very outset of the war, had closely co-operated and confronted the Japanese with a determined common policy, all would be much better off now. The opportunity, unforutnately, was lost, and there is now no use crying over spilt milk.

However, Shanghai, Tientsin and Kulangsu still retain positions which would allow for concerted resistance amounting to more than mere passive suffering. The administrations of the concessions and settlements in these cities ought to co-operate closely. Ties and bonds between these areas, their exchange of experiences and mutual assistance even now are by no means what they ought to be. Faced with a common danger, they should unite for common defense and administration. The closest possible co-operation between them ought to be brought about immediately.

Western diplomacy in the Far East in recent days and weeks has established some indirect connection and co-operation between the special areas in question. This, however, is by no means sufficient. Western diplomatists must execute orders which they receive from home governments. Too often the policies of home governments regard the concessions and settlements as mere pawns. Frequently, policies which the diplomats are required to observe do not appear to be dictated by the interests of the concessions and settlements.

From this point of view, closer co-operation between the settlements and concessions in China must be brought about. Their interests urgently and imperatively require the formation of a common front, facing firmly the Japanese danger and often home government policies as well. If there was today a body of men, whether in official or unofficial positions, who could be considered as spokesmen for all western special areas in China, their united voice, decisions and actions might carry more weight with Japan as well as with their home western countries than the passive complaints of the various industrial interests in these areas.

Such a body of men of good standing, influence and independence should be able to secure for the threatened western interests in China, and in particular for the concessions and settlements, the co-operation of similar interests also outside China. Western interests in British Crown Colonies, in the Philippines, in French Indo-China would be sympathetic. They also must face the Japanese menace, and though it may not be an immediate one, it will become dangerous as soon as the Nipponese manage to destroy the western special areas in China.

As a matter of fact, not only westerners in China, but all western interests from Singapore to Vladivostock are in the same boat. However competitive they may be they all have the same interest of firmly maintaining their established positions against further Japanese expansion. All of these interests firmly united against that enemy not only would achieve much in the way of direct resistance, but also would so strongly influence public opinion and governments of home countries that Far Eastern policies of the western powers would immediately become active again. Certainly more so than they have been in the recent past.

This is the firm conviction of most influential white men all over the Far East. But mere conviction is not sufficient; the situation demands thought and action. Our leading citizens ought to take matters into their hands and do something. They would be surprised at the great and common response which they would receive.

# Explosive Situation Continues to Prevail in Tientsin; Japanese Commander Makes Oblique Admission

TIENTSIN has put the China war back on the international news map from which it has been more or less absent since the fall of Canton and Hankow in October of last year. The military operations during the past six to nine months—such as they have been—have provided no subject for spectacular headlining. Japan's aerial bombing of China's cities, except in the case of Chungking, the provisional capital, failed to stir much newspaper attention abroad. But with British subjects being stripped of their clothing, down to their bvd's, and even below that in some instances, the world press has been furnished a front-page story on the Far East once more.

It seems to some observers that the Sino-Japanese war has all but ended by conversion into an Anglo-Japanese war on Chinese soil. Certainly, current happenings on a lengthy front, stretching all the way from Tientsin in the North, through Shanghai, to Swatow in the south, indicate that this is actually the case. Obviously trading on the marked reluctance of the British Government to embark on any reprisals against the Japanese for the indignities and hardships to which British subjects are being subjected, the Japanese have, during the past week, been running wild in the northern metropolis and violating even the rules of elementary decency in their efforts to humiliate His Majesty's subjects. The aim of these humiliations, among other things, is to lower the prestige of the white man and thus advance Japan's Pan-Asiatic aims.

How far this situation will be allowed to drift before a halt is called—either by the Japanese themselves or by the British—it is difficult to say. Conversations aiming at a settlement are reportedly proceeding in Tientsin, in Tokyo and in London between British and Japanese representatives, but no progress appears to have been made.

With Japan becoming increasingly involved on the Manchukuo-Outer Mongolian border, as reported elsewhere in this issue, it is inconceivable that the Tokyo Government will go so far as to risk an open rupture with Britain. Nor is it likely that Britain will submit indefinitely to the insufferable arrogance of the Japanese military without striking back in defense of her prestige and positions in China. There is reason to believe that the Tokyo Government does not exercise that control over the Tientsin situation which the world is expected to believe. The mere fact that the Japanese Government can only blandly deny well-authenticated foreign press reports of the more obscene acts of their soldiery in Tientsin supports this belief. If Tokyo admitted the truth of the reports it would either have to justify the deeds done or else repudiate the Army perpetrators of those deeds. Wishing to do neither, they place tongue in cheek and declare that the British are "inventing" incidents for purposes of anti-Japanese propaganda. This is the Japanese conception of that "sincerity" which they always pretend to find lacking in others!

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PRIME Minister Chamberlain was bombarded with questions in the House of Commons this week on the subject of the situation in Tientsin. He told the House that "while insisting that this treatment of British nationals must cease, I do not want to say anything which would prejudice the prospect of a satisfactory issue with the Japanese Government." He said that Lord Halifax, the Foreign Secretary, had spoken in the strongest terms on the subject to Mr. Mamoru Shigemitsu, the Japanese Ambassador in London, while Sir Robert Craigie, British Amebssador in Tokyo, had made similar representations to Foreign Minister Hachiro Arita. "I have some reason to hope," Mr. Chamberlain declared, "that this discussion may lead to a settlement of the Tientsin affair."

Mr. Arthur Henderson, Labor member, asked whether the Prime Minister's hopes that the Tientsin situation might be ended by agreement also covered the wider demands made by Japanese spokesman, and whether the Japanese Government had formulated these wider demands. Mr. Chamberlain replied that the Japanese Government had not done so, and there the situation appears to rest at this writing.

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A *United Press* report from Tientsin on Tuesday of this week suggested that the Japanese military on the spot were about to moderate their treatment of Britons, and this may foreshadow a settlement of the controversy. The report quoted Lieut.-Gen. Masaharu Homma, commander of the Japanese garrison, as saying that he had issued new orders to Japanese sentries, instructing them that the stripping of persons was not necessary in conducting sufficiently thorough examinations of persons entering or leaving the concessions. This statement, it may be noted in passing, obliquely admits those very outrages which the Japanese have been denying. Only the day previous, on June 26, the Japanese Consul-General in Tientsin, Shigenori Tashiro, protested to the British Consul-General, E. G. Jamieson, against British press reports of such outrages, which, he said, "cast a reflection upon the name of the Japanese military and consular police." The reports in question, describing the stripping of British subjects,

## Three Views of the Contemporary World Scene

*Moscow News*

**May Day, 1939**

*N. Y. World-Telegram*

**"Tough Boy"**

*Moscow News*

**How it will end.**

including women, were termed "gross misrepresentations of facts," despite the fact that each of the incidents reported had been witnessed by others.

Lieut.-Gen. Homma went on to display considerable enthusiasm for disrobing in public and offered to strip before some 40 press representatives to prove there was no disgrace in it. The Japanese, he said, do not hesitate to disrobe in public even in the presence of memebrs of the opposite sex, citing in this connection the fact that Japanese men and women bathed together in public bath houses throughout Japan without the slightest hesitation. Some of the sentries in Tientsin and also the Chinese policemen who perform the actual searching of foreigners, he added, are simple peasants whose ideas of modesty differ from those of Europeans.

One of the victims of this week's stripping activities was a Mrs. Finlay, German-born wife of Mr. D. Finlay, a native of Glasgow, who was compelled by a woman searcher to take off all her clothing, with the exception of the last garment, in the presence of a Japanese male sentry. Her husband was similarly treated. The following day, June 26, a Japanese military spokesman in Tientsin, at the daily press conference, worked up quite a bit of artificial indignation over reports of the incident, the possibility of which he emphatically denied. It "could not have happened," he said, because it would have been contrary to instructions. The "indignant" spokesman could hardly have been expected to anticipate Lieut.-Gen. Homma's admission, just one day later, that such things *had* been happening.

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ALL reports from Tientsin this week show that quite apart from the indignities to which British subjects have been treated the Japanese blockade of the Concession areas is unrelaxed. The supply of fresh foodstuffs has fallen to between 20 and 30 per cent of normal, one report stated. On one occasion British Army trucks ran the blockade into Japanese-controlled territory and brought back a supply of fresh foodstuffs, much to the indignation of the Japanese.

Japanese charges against the British Concession were lengthened this week by a Tokyo report through *Domei*, quoting a Tientsin dispatch to the effect that the Concession "has assumed the appearance of one vast radio station, with scores of private sending sets busily emitting anti-Japanese propaganda." There were sets owned by Gen. Sung Cheh-yuan, former chairman of the defunct Hopei-Charhar Political Council, Gen. Kao Su-hua and Gen. Lu Chung-lin, sufficiently elaborate to communciate with Chungking, the report claimed, adding that Chungking broadcasts on the situation in Tientsin were being made on the basis of information obtained through clandestine radio stations located in the British Concession.

One notable economic result of the Concession blockade, according to a *Reuter* dispatch from Peiping, has been to cause an increase in land values in the Chinese city of Tientsin. One mow of land sold for $30,000 last year is now realizing between $40,000 and $50,000, the report stated, adding that land values in the former German and Russian concessions are also rising.

Tientsin Britons, canvassed by *Reuter*, expressed the view that Japan's ultimate aim in blockading the Concessions was to establish in North China conditions similar to those now prevailing in Manchuria. If success attended the Japanese effort, it was pointed out, the trade which had been built up in Tientsin during the past 80 years would pass into Japanese hands, and foreign capital investments, and the returns on them, would be frozen.

# Europe Apprehensive as Moscow Parleys Drag On

THE Anglo-Soviet negotiations looking toward the creation of a three-Power military alliance embracing Britain, France and Soviet Russia, as reflected in reports appearing in the press of France and Britain, resemble nothing so much as the fever chart of a sick patient whose recovery is by no means certain. The picture is one of a series of zig-zags, up and down. One day, the newspapers express the utmost optimism as to the eventual outcome, some even going so far as to state that the signing of an agreement is imminent. The next day they are down in the depths and muttering reproaches in the direction of Moscow.

There has been a categorical denial from Moscow that the Soviet Government has demanded a guarantee in the Far East as a condition of the projected alliance. London made a more cautious denial. The German press, on the other hand, seems to be quite positive that Moscow has demanded such a condition and charges the British Foreign Office with endeavoring to conceal the main issue now at stake, which, it asserts, is the question of the Far East. Is it possible that Moscow has given Berlin a tip in this regard?

It is not unlikely that some sort of innocuous agreement will finally be reached just to save the faces of all concerned—perhaps just a pious declaration useful only for gathering dust in the archives. The Paris *L'Ordre* is under no illusions in this respect, declaring: "Even if an agreement is at last concluded, it will have lost a great deal of its value. There has been too much delay and far too much talk in public." This is undoubtedly true. Really effective agreements involving military commitments are always concluded rapidly and for the most part in secret, without any fanfare of publicity of the kind which has marked the negotiations with Moscow.

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WHILE the democratic negotiators flounder around in Moscow, with Dictator Stalin twiddling them around his little finger, Soviet-German rapprochement begins to take on a flesh and blood aspect. Berlin reported on June 23 that a group of influential German industrialists is sending a delegation to Moscow to revive trade relations and with authority to offer the Soviet Government a credit of 750 million marks for purchases in Germany. The Reich, on the other hand, was said ready to buy huge quantities of raw materials, particularly timber, leather, and oil from Soviet Russia. Equally significant was a report from Prague the same day, stating that a delegation of Soviet technicians had arrived in Pilsen to place an order with the Skoda industrial plants, which became a Nazi concern with the annexation of Czechoslovakia by Germany.

While the Anglo-Soviet negotiations are bogged down, secondary diplomatic dickerings are taking place involving Europe and the Near East. One of the lastest acts has been the cession by France to Turkey of the tiny Republic of Hatay, former Sanjak of Alexandretta, in order to cement the new Franco-Turkish agreement and to unite Turkey firmly with the Anglo-French bloc. The population of the Sanjak is largely Arab, but that did not perturb the French, who, together with the British, use the small nations as so much small change in their diplomatic dealings. But the Arabs in Syria, in Egypt, in Palestine and elsewhere are up in arms against this cynical deal and the German Nazis are exploiting their dissatisfaction for all it is worth.

German aims were sharply outlined by Dr. Joseph Goebbels, Reich Minister of Propaganda, on June 21 when he said: "We want our people to share the riches of the world. We have one aim—to reconquer all that has belonged to us in history." What the next German move will be remains to be seen. European observers expect a new crisis, probably over Danzig, in the coming autumn. The prevailing uncertainty and apprehension were indicated by Premier Daladier of France when he adjourned the Chamber this week. If the present situation remained unchanged, he declared, France would be obliged to keep two military classes under arms. The British Government is similarly apprehensive. Summer leave for the Home Fleet has been advanced so that the warships may go to dry dock for refitting and overhaul and be ready for duty again by September. This has involved cancellation of the traditional Navy Week.

# "Singapore a Base Without a Fleet"—Lord Beatty

SINCE the sessions of the Anglo-French defense conference, which opened on June 22 and closed on the 26th, were secret, it was not expected that any detailed announcement would be issued. A communique issued on the closing day said the delegates had talked about Anglo-French solidarity and "there was hope that the discussions would have a beneficial effect on the Far Eastern situation."

Sixty naval and military officers attended the conference, of which number forty were visitors from neighboring Anglo-French commands. The French Defense Mission was headed by Admiral Jean Decoux, Commander-in-Chief of the Indo-China Army and Col. Deveze, Chief of the French Far Eastern Air Force. Admiral Sir Percy Noble, Commander in Chief of the British China Fleet, headed the British Mission.

In the event of war—with Japan—the supreme command will be assumed by the British Naval Commander-in-Chief and the base of operations will be Singapore. War materials of the two nations will be pooled. The conference was reported to have made a complete survey of manpower and materials at the disposal of the British and French commands. An advance report, issued at Singapore on June 21, said that the officers would map out joint strategy to be followed in countering Japanese threats to British and French interests in the Far East. A general staff arrangement was expected to be perfected similar to the agreements already in force covering the European Continent and the Mediterranean area.

The extremely practical nature of the discussions was indicated in dispatches from Singapore during the week indicating that the following subjects were on the agenda:

1—The Tientsin situation.
2—Unification of British and French Far Eastern forces under a single command based at Singapore.
3—Possible reprisals against Japan, taking into consideration Japan's naval superiority in the Far East.
4—Protection of Hongkong.
5—Roles of the United States, Siam and the Netherlands East Indies in the Far Eastern strategic situation.
6—Protection of merchant shipping.

The German *Transocean* service added to the foregoing subjects the suggestion that the delegates had also discussed the immediate construction of a "French Singapore" at Cam Ranh in French Indo-China. Another subject was joint protection of British and French Concessions in China. A further subject suggested in the German news agency report was joint measures for safeguarding routes of communication to Siam, Netherlands Indies and the United States. This apparently was the only public reference to the possible role of the United States in the event of a Far Eastern war.

Reference to the role of Siam aroused considerable discussion and some controversy, due to the fact that Japan is supposed to have a naval agreement of some sort with the Siamese Navy which was largely built in the ship-yards of Japan. But there was a significant development during the Conference, the Siamese Government announced that its gold reserves were being sent to London for safekeeping. An editorial in the *Manila Bulletin* suggested that the Philippine Commonwealth "remained aloof" from the Conference, but while there were no American Army or Navy delegates present, this didn't mean they were uninterested.

Late arrivals at the Conference included Admiral Sir Ragnar Colvin of the Australian Naval Board, Major-General D. K. McLeod, General Officer, Commanding British Forces in Burma, Col. G. B. Henderson, Deputy-Director of Military Operations and Intellegence of the British Army in India.

On the closing day of the Conference, Lord Beatty, son of the famous Admiral who commanded the British Fleet at Jutland, wrote a letter to the *London Times* in which he declared that Singapore was of little use as long as it did not harbor a strong fleet. He said that this was impossible at present because of the necessity of maintaining naval forces at full strength in the Mediterranean and North Sea. The British was obliged to hold three vital positions without adequate equipment, particularly for Singapore. This would be simplified after 1941 as by that time five new battleships of the "George V" series would be commissioned. Between now and 1941 "might be a dangerous period for Great Britain," in the opinion of Lord Beatty.

# Moscow Admits Mongol Air Battles; Japan Claims 275 Red Planes Down

BREAKING a lengthy and inexplicable silence on the subject of reported aerial battles and land actions on the Outer Mongolian-Manchukuo frontier in the region of Lake Buir, all of which came, uncontradicted, from Japanese sources, the Soviet *Tass* agency issued a lengthy communique in Moscow on June 25, admitting that a series of clashes had taken place but denying Japanese claims to have shot down large numbers of Soviet airplanes.

The communique dealt with events dating back to May 11 when, it was claimed, Japanese and Manchukuo troops invaded Outer Mongol territory. Clashes, continuing intermittently for 10 days, in which there were killed and wounded on both sides, finally ended in the expulsion of the invaders, it was stated. On May 28 and 29 Outer Mongol territory was again invaded. In the ensuing battles, the Japan-Manchukuo forces lost 400 killed, while the Mongols lost 40 killed and 70 wounded.

## Soviet Losses Admitted

Aerial battles, the communique went on to say, accompanied the ground actions. On May 28, Mongol-Soviet aviation lost nine machines to the Japanese three. On June 22, the former lost 12 machines and the latter 31. On June 24, Mongol-Soviet aviation lost two machines and the Japanese 25. The communique ended by emphasizing that throughout the various clashes, Soviet-Mongol forces never violated the established frontier, except on occasions when their aviators chased Japan-Manchukuo machines back to their own territory.

Japanese claims reversed the figures of aerial losses given by *Tass*. In the June 22 air battle, according to *Domei*, 49 Soviet planes (later revised to 56) were brought down while the Japanese lost only five machines. A later *Domei* report said that 61 Soviet craft had been downed between June 19 and 24. Still another *Domei* report said that from May 20 to June 24 Japanese army aircraft had shot down 123 Outer Mongol and Soviet planes. On June 24 three Outer Mongol planes were shot down according to the same source, while 12 Soviet machines were also downed the same day.

It is no easy matter to keep track of all the Japanese claims. At all events, on Monday of this week *Domei* attempted a simple addition of some of the previous claims and told the world that 72 Soviet planes had been shot down during the three days, June 22 to 24.

## A Mighty Battle

The most spectacular battle of them all took place on Tuesday of this week (June 27) when according to a *Domei* message from Hsinking 98 Soviet planes out of a total of 200 were shot down "in a furious 30-minute encounter over Lake Buir," in other words, at the rate of more than three machines a minute. The Soviet version of this battle is not available as we go to press.

Japanese airmen followed up this smashing victory, *Domei* said, by flying over Outer Mongol territory "in retaliation for alleged Red incursions into Manchukuo." They allegedly bombed the Soviet airdrome at Tamskusumu and set on fire 30 grounded machines. Following is a full tabulation, by *Domei*, of alleged Soviet air losses since the newest "war" started:

| Date | Soviet Planes Destroyed |
|---|---|
| May 20 ... ... | 1 |
| May 21 ... ... | 1 |
| May 22 ... ... | 3 |
| May 26 ... ... | 3 |
| May 27 ... ... | 9 |
| May 28 ... ... | 42 |
| June 22 ... ... | 56 |
| June 23 ... ... | 1 |
| June 24 ... ... | 15 |
| June 26 ... ... | 16 |
| June 27 ... ... | 128 |
| *Total* ... | 275 |

Japanese and Manchukuo military authorities in Hsinking, on June 24, expressed indignation over the misuse of Japanese insignia by Soviet airplanes which invaded Manchukuo territory, *Domei* reported. They claimed that some Soviet planes of the I-16 type which raided Amukulan, east of Lake Buir, on June 17, had red suns painted on their wings.

## More Fighting Predicted

A Japanese Army spokesman in Shanghai, at a press conference on Tuesday of this week, predicted more aerial fighting on the Manchukuo-Outer Mongolian frontier, basing this prediction on the belief that "the Soviets are attempting to regain their lost prestige." The only purpose of the Soviet incursions into Manchukuo territory, he said, was to distract the attention of the Outer Mongols from, principally, the religious question of Lama Buddhism, to regain face before the world and Outer Mongolia, and, indirectly, to try to assist China.

As for the Japanese, he continued, "so long as the Soviet objective is just to create friction there is no reason to believe that the clashes will expand into a conflict. It would be different, however, if the Soviet attacked a big city on the border.

Attempting to explain the reason for the downing of such a great number of Soviet planes, the spokesman said that "Soviet planes were too good for their pilots." It was similar, he said, to a man, who, having grown accustomed to riding a pony is suddenly given a thoroughbred racer to ride.

# Nippon Campaign Deadlocked as Anniversary Nears

**JAPANESE WARN SHIPPING AWAY FROM FOOCHOW AND WENCHOW**

**Following up their occupation of Swatow and Tinghai, the Japanese announced on Tuesday of this week that they would commence military operations against Foochow and Wenchow (in Fukien and Chekiang, respectively) on June 30 and requested, through the Consular Body in Shanghai, that all foreign warships and merchant vessels in those harbors evacuate outside a specified zone by noon on that date. The communication, sent to the Consular Body by the Japanese Navy, declared that the Japanese authorities "cannot assume any responsibility for losses, either direct or indirect, that might be suffered by such vessels remaining in the two harbors after the hour mentioned." The British authorities in Shanghai reportedly replied stating that they could not regard this warning as relieving the Japanese of responsibility for endangering British lives and property, since the right of British vessels, including warships, to proceed to any place in China waters, and to remain in all treaty ports, and the right of British subjects to reside in or near Foochow and Wenchow, remains unaffected by the Japanese warning.**

WITH the advent of July, Japan's war in China is now two years old. The Japanese warlords set out upon their adventure with high enthusiasm, confident of "beating China to her knees" within six months. Now, two years have passed, and Japan is no nearer her objective than she was after the first six months. Despite the recent occupation of Swatow and the Chusan islands, the Japanese adventure in China is so deadlocked that Japan is perplexed as to what to do with the recalcitrant Chinese, who have utterly upset her imperialistic schemes of Asiatic domination.

Illustrative of this perplexity in Japan was the petition presented to the Throne last week by a number of bellicose politicians, demanding that Japan declare war on China and thus obtain the rights and privileges accorded to a nation at war. The petitioners included Mr. Otaka, member of the House of Peers, Mr. Honda, former ambassador to Germany, and Mr. Miyake, publicist. In an attempt to conceal the hopelessness of Japanese military operations in China, the authors of the petition blamed the foreigners for the protracted Chinese resistance. In demanding a formal declaration of war on China, they advanced the following two reasons:

## Supplies and Concessions

1. The necessity of stopping the flow of foreign supplies and war materials into China;
2. Until war is declared, it will be scarcely possible to solve in an effective manner the problem of foreign concessions.

The Chinese conflict cannot be ended, they argued, until effective action is possible on both of these points.

The reaction of the Japanese government towards the petition is as yet unknown. But whatever the Japanese may choose to call their invasion of China, whether a conflict or a full-dressed war, one thing is certain, and that is that the Chinese will continue their resistace until the Japanese are driven out of the country. If two years of ruthless hostilities have failed to coerce China into submission, it will be fatuous for the Japanese to think that the Chinese could be impressed by words.

Another significant event marking the close of the two years of hostilities in China is the further strengthening of Sino-Soviet relations as indicated by the conclusion of a commercial treaty between the two countries on June 16. While the text of the treaty has not been published, it is generally believed that it possesses a far greater significance than a mere trade pact in the ordinary sense. It probably will mean increased Soviet aid to China in her struggle against Japan.

Concluded in Moscow, the treaty was signed by Dr. Sun Fo, president of the Legislative Yuan and special envoy of the Chinese Government, and by M. Mikoyan, director of the Soviet Trade Bureau.

## Treaty Principles

According to an official statement issued at Chungking, the treaty is based on the principles of equality and reciprocity. Besides commercial and navigation provisions, the treaty is said also to fix the legal status of the office of the Soviet Resident Trade Commissioner in China.

Welcoming the announcement of the conclusion of the treaty, the *Chungking Joint Daily News*, in a leader on the subject, declared that this treaty and the Sino-Soviet Non-Aggression Pact signed in August, 1937, are the two most important events in Sino-Soviet history. Pointing out the significance of the new treaty, the paper stated that it would place Sino-Soviet relations on a regular, permanent basis. The journal also expressed "Chinese appreciation of Soviet sympathy and assistance in China's present war of resistance."

Although Moscow papers refrained from making detailed comments on the treaty, a German *Transocean* dispatch from the Soviet capital stated that conclusion of the treaty attracted much attention, as it took place just at a time when the British emissary William Strang, arrived in Moscow. Apparently, the announcement of conclusion of the treaty had been postponed until the moment when the Soviet negotiations with England and France reached a deadlock, the agency said

The *Transocean* message expressed the belief that, in consequence of the treaty, Soviet arms deliveries to China would be increased.

## Soviet Press Comment

The failure of Japan's war in China was commented on extensively in Moscow papers. Analyzing the results of Japan's two years of hostilities in China, the *Krasnaya Zvezda* stated that the Japanese strategical plans envisaging an early termination of war in China and destruction of the Chinese army had failed. The Japanese had staked on disunity and disorganization of the Chinese people and on the subversive work of traitors of the Wang Ching-wei type, but this had come to nothing.

What are Japan's gains in two years of war at a cost of 800,000 casualties, the paper inquired. The Japanese have occupied, rather relatively, twelve per cent of Chinese territory, but in these nominally occupied areas, 1,000,000 Chinese guerrillas and 80 divisions of Chinese regular troops are operating to harrass the Japanese. Consequently, the Japanese hold on the seized territory is very weak.

Continuing, the article stated that Japanese imperialism had paid a very high price for its so-called successes. Protracted war in China has brought the economic life of Japan to the verge of bankruptcy. Consequently, discontent among the Japanese people against the war is rising high and anti-war sentiments have been spreading lately throughout the army.

Speaking of the Chinese defence, the journal said that the Chinese people are united and welded together. They have passed from the stage of strategical retreat to the stage of accumulation of forces for a decisive offensive. They are certain of ultimate victory.

Writing under the heading of "The crushing of the Japanese strategical plan in China," *Izvestia* stated that Japanese imperialism, preparing for a new aggression, finds itself in no position to stand a protracted war in China. In view of the limited possibilities of Japanese economy, the paper commented, the Japanese warlords are striving to bring the war to an end as quickly as possible, in order to preserve their strength for further aggression. That is why all the war operations of the Japanese militarists are permeated with the idea of smashing the Chinese Army with one blow and thus making the Chinese Government capitulate. However, the Japanese plan failed, as the territorial losses did not have to effect of forcing the Chinese government and people to submit.

## Strategic Doctrine Evolved

During the two years of war, continued the article, the Chinese command has evolved a strategic doctrine—prolonged war. The plan was based on the fact that Japanese imperialism would be unable to wage a prolonged war, due to its economic position and the instability of its internal and foreign situations. Hence it was necessary to prolong the war and preserve the army at the cost of temporary territorial losses, slowly but surely to drain the blood of the enemy, later on dealing a devastating blow.

*Izvestia* paid a glowing tribute to the Chinese army for its April counter-offensive against the Japanese. The April operations were directed in the main towards the solving of two problems—to divert the Japanese troops from areas under the control of guerrilla forces and to check the Japanese movements, thus depriving them of the possibility of concentration. These tasks were brilliantly accomplished.

Appraising the results o two years of war in China, the newspaper wrote: "The very fact that Japanese imperialism is forced to wage the war in China for two years, not having gained an expected victory, shows that the strategic plans of the Japanese militarists intended for a short war completely failed. The Fascist military circles in Japan did not attain the desired result despite the fact that they had increased their army from 350,000 men five to six-fold, completely reorganized the national economy on a war footing and spent 1,000,000,000 yen for war operations in China, almost completely exhausted their gold reserves and stocks of strategic raw materials."

## Protection For People

In a circular order throughout the country, the Military Affairs Commission demands that special protection be accorded to the people in the guerrilla areas. The order states that the aim of the campaign of resistance against Japan is solely to preserve the independence and existence of the state. The masses of the population have consistently and enthusiastically supported the national policy of "resistance to the end." Therefore, all civil and military

officials should absolutely respect the wishes of the people. Thus, the patriotic sentiments of the people will be further aroused and they will voluntarily contribute their wealth and even their lives for the welfare of the state. It is also necessary to appease the people so as to prevent them from falling into the snares of the Japanese who are employing various trecherous methods to ingratite themselves with the Chinese people.

One thousand young men and women are now receiving training in northern Hunan, in guerrilla warfare tactics, to become leaders of mobile units operating behind Japanese lines, according to a Chungking report. This class is being conducted under the direction of Gen. Chiang Kai-shek. On its staff are such well-known strategists as Gens. Pai Chung-hsi, Chen Cheng, Tang En-po and Yeh Chien-ying. The class is divided into seven companies. The first four are composed entirely of regular army officers, while the remaining three are made up of students and political workers, both men and women. After completion of their training, they will be sent to places behind Japaners lines, where they will lead direct guerrilla activities in close cooperation with regular troops.

About 700 puppet troops at Changtaikwan in southern Honan under the command of Li Tze-hsing recently mutinied against the Japanese and surrendered themselves to the Chinese authorities, according to a Chinese report. The mutiny took place when the Chinese were launching an attack on the Japanese garrison at Changtaikwan. All Japanese officers of the puppet force were killed by the mutineers.

## Corrupt Official Executed

Determined to uproot political corruption, Gen. Chiang Kai-shek, president of the Military Affairs Commission, last week ordered the execution of Yang Lien, former provincial commissioner of Education of the Szechwan Provincial Government, who had been found guilty of embezzlement of public funds and acceptance of bribes during his previous tenure of office as educational commissioner for Anhwei province. Yang was tried by a special tribunal organized by the Inspectorate-General for the Enforcement of Military Law. He was sentenced to death by the tribunal and the sentence was approved by the Generalissimo.

Meanwhile, some ten other officials received disciplinary punishment at the hands of the Central Committee for the Disciplinary Punishment of Public Functionaries. Chen I, magistrate of Nachi in Szechwan, was dismissed from office and suspended from the civil service for one year. Li Chin-chiu, secretary of the Nachi district government, was ordered to have his salary reduced for 10 months.

Two Shanghai court officials are also among those disciplined. Sun Hsiung, director of the penitentiary of the Second Special District Court, found guilty of dereliction of duty, was demoted one rank. Lao Hsiao-ko, direction of the detention house of the same court, was dismissed and suspended from the civil service for four years.

Other delinquent officials punished included Wu Te-yuan, court official in Peiping; Tseng Ping-chuan, court official in Kweichow; Tang Jih-hsin, district magistrate in Hunan; and Liu Chih-tsai, court official in Hupeh.

## New Monetary Policy

In order to consolidate the financial position of the country during the war of resistance, a new monetary policy has been formulated and adopted by the Ministry of Finance. In a circular order to the various provincial departments of finance, the ministry states that the aim of the new policy is two-fold: internally, to consolidate the financial strength of the state; and externally, to resist Japanese invasion in the economic domain. The various provincial authorities are instructed to adopt effective measures to curb all activities on the part of the public which are detrimental to the financial policy of the government. It is also ordered that retrenchment should be practised in order to conserve the material and financial strength of the country for the prosecution of the war of resistance and for national reconstruction.

According to a Japanese report, the Chinese Government is contemplating sending an economic mission to England to seek a new loan. T. V. Soong, former finance minister, is said to have been chosen to head the proposed mission, but he has declined to do so. Consequently, the Japanese report alleges, the project has been postponed indefinitely.

## Aftermath of Air Raids on Chungking

*Photos by Mary Fei*

**These pictures show soldiers clearing debris from the streets of Chungking following the devastating Japanese air raids. The one immediately above shows a house cut in half by one of the bombs.**

# Japanese Blockade Swatow Wharves in Latest Blow Against British

## Japanese Occupation of Tinghai Seen as Possible Blow at Shanghai

**Some speculation has been aroused as to the real motive behind the Japanese action in occupying Tinghai, main port of Chusan Island, in the Chusan archipelago on the evening of June 23. Chusan, largest of the group of islands bearing the same name, lies off Hangchow Bay, 120 miles south of Shanghai. Japanese naval forces landed on the island in the morning and occupied Tinghai at 8.30 p.m. the same day, according to a *Domei* report which explained the action as designed to checkmate the transportation of arms and supplies to Ningpo by junks.**

**Since, however, Chusan island is a principal source of Shanghai's fresh food supply—especially vegetables, poultry and fish—there is a possibility that the move is aimed, perhaps indirectly, at the foreign-controlled areas in this city, since continuance of these supplies now depends on Japanese goodwill.**

**According to a *Kuo Min* message from Kinhwa, Chekiang, the occupation of Tinghai was carried out by a force of 500 Japanese marines. The Chinese defenders retreated to the hills and were said to be putting up fierce resistance to any further Japanese advance.**

THE front of Anglo-Japanese antagonism widened perceptibly at the beginning of this week, when, according to a *Transocean* dispatch from Hongkong, quoting British press reports, the Japanese military isolated the British wharves at Swatow, Kwangtung seaport, by erecting barbed wire barricades around them and posting sentries to prevent entry to or exit from the properties. Swatow was occupied by Japanese forces on June 21.

This action followed the alleged violation by two British ships, the *Tsinan* and the *Fausang*, of Japanese orders requiring timely notification of intention to enter the port. *Transocean* said the two vessels were accompanied into the harbor by H.M.S. Scout.

A *United Press* message from Hongkong said that the British Consul at Swatow had protested to the newly-arrived Japanese Consul against the restrictions being imposed, among which is included an edict that only one British vessel a week will be allowed to call at Swatow. *Domei* reported that British efforts to secure a lifting of the ban on the loading and unloading of general cargo were unavailing, the Japanese naval authorities contending it was "too soon" after occupation to permit such operations. Mail and foodstuffs destined for foreign residents of the city would, however, be permitted transportation, subject to Japanese "inspection."

### Yarnell Stands Firm

On June 21, date of the Japanese occupation, Japanese diplomatic authorities requested third-party powers to evacuate their nationals and vessels from Swatow. This request, conveyed through the Senior Consul in Shanghai, was reported in some quarters to have been couched in language bordering on an ultimatum. Admiral Harry E. Yarnell, Commander-in-Chief of the U.S. Asiatic Fleet, replied promptly with a refusal to withdraw the U.S. destroyer *Pillsbury* from Swatow, declaring that units of the Fleet would go wherever there were American nationals in need of protection. Withdrawal of American nationals from the Kwangtung seaport was also refused.

This firm stand elicited a statement from the Tokyo Foreign Office on June 23 to the effect that Japan's "friendly advice" to third party shipping to withdraw had been grossly misconstrued. It was denied that there had been any ultimatum. Japanese naval authorities made it a practice to advise third-party shipping to withdraw from zones in which hostilities were about to be commenced. This was done in a "friendly spirit" to avoid damage to the ships and possible loss of life, the spokesman declared.

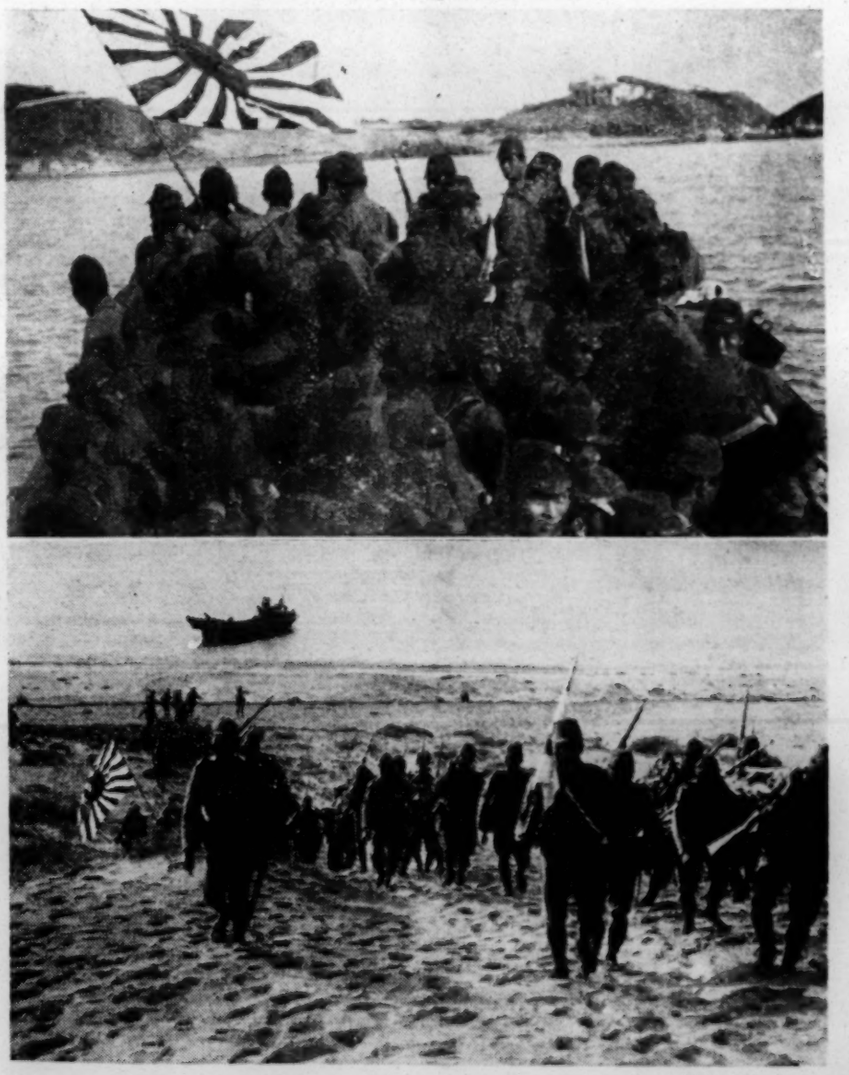
The number one puppet in Swatow lost no time in emerging from obscurity after the Japanese occupation. Named Chen Chueh-min, and referred to by the Japanese as an influential resident, he was chosen to head the Japanese-created Peace Maintenance Association.

### Almost No Defense

Reports from various sources indicate fairly clearly that practically no attempt was made to defend Swatow, although a *Domei* report said that more than 600 dead Chinese soldiers were found abandoned in and around the city following the Japanese occupation. The Chinese garrison withdrew after carrying into partial effect the national "scorched earth" policy. Japanese troops are now advancing along the 50-kilometer railroad which runs from Swatow to Chaochow in a north westerly direction. This line, which was intended to link Swatow with Canton, was never completed. On Monday of this week, Japanese forces also claimed to have arrived at a point four kilometers south of Swatow.

Chinese press dispatches said that 100,000 Chinese troops, under the command of

### Japanese Landing at Swatow



*Press Union photos*

**The Kwangtung seaport of Swatow was captured by Japanese forces on June 21. In the picture above, Nippon troops are seen making for the shore in small boats, huddled in close formation, while below the invaders are pictured marching up the beach.**

Gen. Pai Chung-hsi, had reached the outer defense lines around Swatow to carry out encircling moves against the Japanese invaders and claimed that heavy fighting was in progress near the city. A typical report came from *Kuo Min*, dated from Shiuchow, claiming that the Chinese had launched a counter-attack on Swatow on June 24 and that Chinese vanguards had already reached the outskirts of the city.

### Exchange Rate Fixed

Chinese industrial and commercial leaders met in Swatow on June 23, *Domei* reported, and agreed to resume business within three days. They also agreed to fix an exchange rate of $1.30 to Yen 1 in Japanese military scrip, as well as to reopen the Chinese Chamber of Commerce, the agency said.

Rear-Admiral Kanazawa, Admiralty spokesman, told press men in Tokyo that Japan had occupied Swatow to strengthen the blockade of South China and to deal the Chiang Kai-shek regime a crushing blow by cutting off the only important route for the supply of arms and other goods abroad. He declared that imports of war materials through Swatow had increased remarkably following the fall of Canton and Hainan Island. Last year's trade figures, he added, showed that about $70,000,000 worth of goods passed through the port, half of which represented imports of war supplies and other goods.

The Tokyo *Nichi-Nichi* failed to echo this view of the matter, declaring merely that occupation of Swatow was evidence of Japan's continued fighting strength and "gives the lie" to rumors from Chungking to the effect that Japan is no longer capable of conducting large-scale warfare. The *Japan Times*, on the other hand, said that one of the objects of the occupation must be the throttling of trade through Swatow as a blow to "what remains of the economic system of South China," adding that another likely objective was to create a new base for land operations to be extended inland.

The Chungking press took the view that the seizure of Swatow was designed to support Japan's anti-British moves at Tientsin. The British press in Hongkong feared that the trade of the colony would be affected adversely, since it has in the past secured large quantities of trade goods from Swatow, especially goods for tourist trade, while certain food supplies also came from there.

### Chungking Statement

A spokesman of the Military Affairs Commission in Chungking issued the following statement: "The Japanese invasion of Swatow was anticipated by the Chinese authorities who made adequate preparations for coping with the situation. Therefore, besides dealing an unexpected blow to the Japanese landing party, the Chinese have concentrated important forces in the vicinity of Swatow to check the invasion and achieve the aims of the policy of attrition.

"From the military point of view, the Japanese invasion is of little importance, because Swatow has long become a dead port. The world knows very well that the Japanese, in claiming that their occupation of Swatow aims at cutting off the import of arms and ammunition for the Chinese army, are merely deceiving themselves and hoodwinking the world.

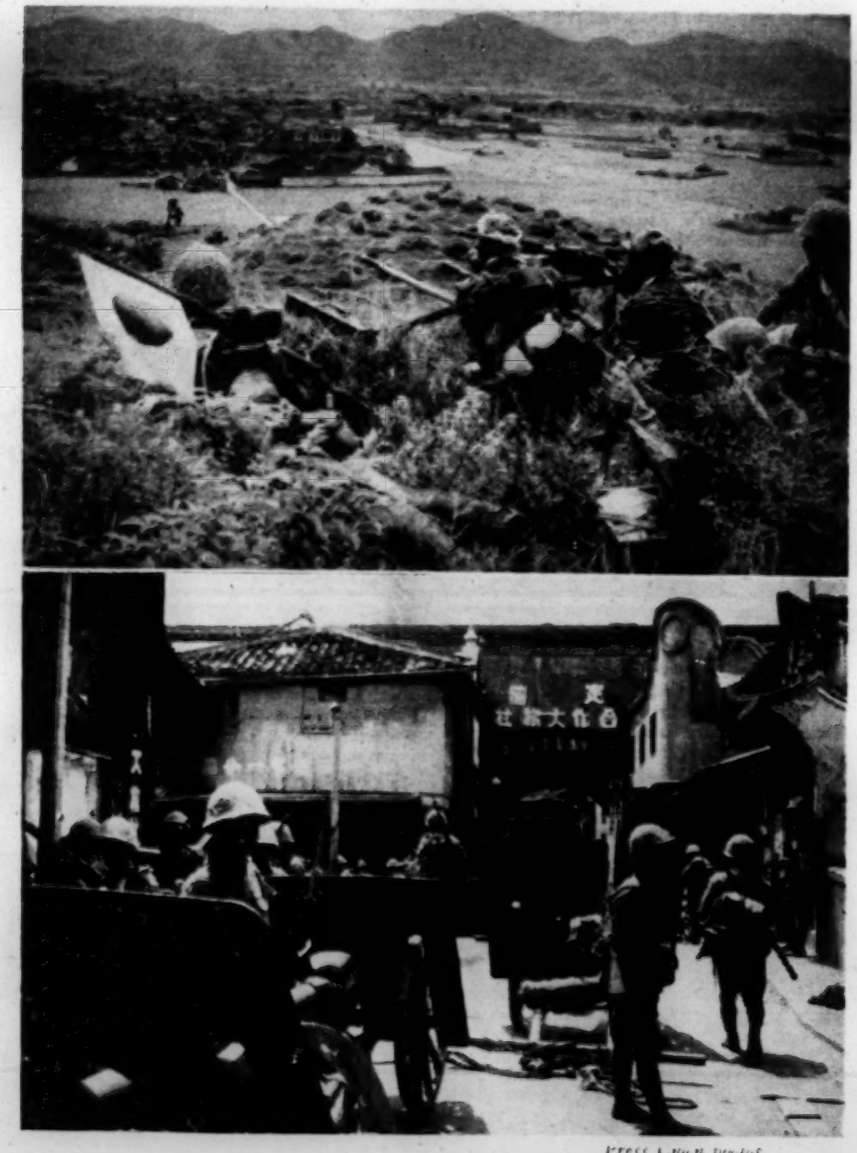
### Hegemony the Aim

"In occupying Swatow, as well as other Chinese ports, the Japanese are not aiming at obtaining military but economic advantages, in order to encroach upon the rights and interests of Third Powers along the Pacific littoral and expel European and American influence from China. In this manner, the Japanese hope to achieve the hegemony of the Far East and establish the so-called 'new order in East Asia.'

"Judging from Japanese actions in the various sea ports, especially Kulangsu, Shanghai and Tientsin, since their occupation of Hainan Island, it is obvious that the Japanese invasion of Swatow is of international significance.

"In short, the fact that the Japanese dare not penetrate further inland and are confining their activities to the sea ports, proves that the Japanese have encountered serious difficulties in their China adventure. The Chinese are determined to deal a severe blow to the invaders in accordance with their original plans."

## Tinghai Falls to Japanese Invaders



Press Union photos

**Tinghai, principal port on Chusan Island, off the Chekiang coast, 120 miles south of Shanghai, was taken by Japanese troops on June 23. Above is seen a machine-gun unit of the Naval Landing Party waiting to enter the town. Below, mountain guns being hauled through the streets after the capture.**

## Opponents of Fascism Given Savage Jail Terms

That political opposition to Facist rule in Italy is by no means dead was indicated in a *Transocean* dispatch from Milan on June 22 which said that 14 persons from Verona were sentenced to prison terms ranging from two to 14 years for participating in "anti-state activities," the nature of which the agency did not disclose. The "ringleader," Prof. Giovanni Venturelli, was given 16 years in the penitentiary.

Just as the Italian nation is not that model of "unity" which Mussolini would have the world believe, so the state organization is not by any means the paragon of virtue and probity which it is cracked up to be. *Transocean* reported from Rome on June 21 that Guido Cignozzi, cashier of the Italian state printing works, had been arrested for embezzling sums totalling 1,285,000 lira.

## U. S. Vessel to Attempt Raising of French Sub.

The United States submarine rescue ship *Pigeon* was expected to sail from Manila to Cam Ranh Bay, French Indo-China, this week, in response to a request from the French Navy Ministry for aid in salvaging the sunken submarine *Phenix*, which went down with all hands on June 15 in a practice dive from which the vessel failed to emerge. Seventy-one men lost their lives.

# China's Spirit Undaunted After Two Years of War

BY C. Y. W. MENG (孟 昭 華)

SINCE May 3, the invaders have subjected Chungking, China's provisional capital, to repeated aerial bombardment. Japanese prisoners of war are reported to have made full confession that it is the plan of the invaders to wipe out Chungking by subjecting it to systematic bombing.

Chungking is situated hundreds of miles from any of the nearest war zones. That it is an interior city and has no military importance goes without saying. The bombing of Chungking (as well as other interior cities), has therefore only one objective in view, that is, to terrify the Chinese masses in the rear with a view to demoralizing them and shaking their faith in resistance. If such is the intention of the Japanese invaders—and apparently it is—then their nefarious scheme is bound to be a total failure.

At the outbreak of the Japanese war of aggression in China, Vice-Admiral Hasegawa delivered a "threatening letter" warning all foreign nationals at Nanking that the Chinese capital would be bombed after noon of September 21, 1937. I remember vividly that in one occasion I met an aged man, a native landlord of Nanking, probably illiterate, who owned much of the immovable property in the capital. "Are you afraid of the Japanese bombing from noon of September 21?" I asked.

## Attitude of a Landlord

I asked him purposely because he stood to lose much of, if not all, his property, inherited from his parents. But to my great surprise, his prompt and sharp answer was: "As you know, our present policy is the 'scorched earth' policy, so why should we worry about the bombing?"

Such an answer from the lips of an intellectual comes as no surprise. But when it comes from such class of people, it could not but deeply impress and convince me that the "mass awakening" among the Chinese masses must have now taken place throughout China as a result of the Japanese war of aggression; that the Chinese really know what they are fighting for; and that they today possess a remarkable undaunted spirit with which they are continuing the war.

I recall this instance for two reasons: First, as I can observe it, there is every eivdence that the people in Chungking, as elsewhere, are now resorting to the scorched earth policy to resist the Japanese invasion from the air. Secondly, I must emphasize that when such a policy is in action the terrorism of the invaders loses automatically all its effectiveness and meaning. In fact, it produces more damaging consequences to the invaders themselves

## Fire Lanes in Chungking

Everywhere in Chungking today, thousands of laborers and volunteers are employed in creating "fire lanes," probably a kind of anti-air raid measure not found elsewhere in the history of war. Many houses have to be demolished so as to leave some open space between them, the purpose being to check the spread of fire in case one house is hit by an incendiary bomb. Front portions of many houses have also to be demolished in order to make the streets wider to prevent fire from crossing to the other side of raod. One can easily imagine that such measures necessarily involve huge sacrifice on the part of the landlords, who usually value their property more than anything else.

One day, I had a talk with one owner of a house who was busily engaged in removing his belongings elsewhere as his house was ordered to be demolished to create a fire lane. "That is too much sacrifice on your part, is it not?" I asked. His answer was that " to build fire lanes is to check the destruction and to avoid unnecessary loss of life. It is a necessary measure. Why should I care about my house?" He appeared to me to agree with the measure, and there was no complaint. Here is another example that the Chinese "scorched earth policy" is now at work, not only among the government leaders and the intellectuals but more among the masses as well.

I have been in Chungking throughout these days. At one time I met a refugee woman over 60 years of age, illiterate and ignorant, knowing nothing more than cooking and washing, and caring for nothing more than her own belongings. In the course of my conversation with her, I inquired about her occupation and family conditions, etc. Lastly, I asked "How do you feel now?" as she had been rendered homeless and had to leave for the countryside with the aid of the government relief commission. Angrily, she answered, "I hate the devils (meaning the Japanese) the most. Had I been a young man, physically strong, I would have gone to the front to kill these devils!" I heard these words distinctly from this aged and foot-bound woman.

I had conversations with several more refugees of the peasant and poor classes who constitute the great majority of the Chinese population, and what impresses me most is that no one has ever complained about the government action in ordering resistance against the Japanese invasion, due to which they are now suffering. Every one of them expresses his extreme hatred of the Japanese. Even children now call the Japanese 東洋鬼 or the "devils in the Eastern Ocean." That is one of the outstanding results which the Japanese achieve as a result of their war of aggression in China. I believe that even if the Japanese should now voluntarily stop their aggression in China, they would never be able to root out such a deep-seated impression which their atrocities have planted in the minds of 450,000,000 Chinese.

## Capital Remains Calm

Scarcely ten minutes after the actual bombing, some 10,000 volunteers from the Chungking Air-Defence Corps and another several thousand members of the San Min Chu I Youth Corps were rushed to scenes of disaster, fighting flame, carrying away the dead and the wounded, and digging into the debris for victims. Such work is participated in by all classes of people, including a number of monks from Tibet whose colorful red robes shone prominently amid the ghastly scenes of devastation. They made up some of the members of the rescue parties. The Chinese scouts and girl guides were seen everywhere giving first-aid to the wounded and carrying them on stretchers to the nearest hospitals.

In every case, streets which were blocked with debris after the bombing were being cleared with remarkable rapidity by thousands of the volunteers and soldiers within five minutes after the "all clear" was sounded. Street lights were put out of order due to the bombing, but on the next night they were burning again. All offices were opened with the usual attendance. Chungking is in good spirits; Chungking remains remarkably calm today. But the explanation is that there exists a remarkable undaunted spirit among the Chinese.

On the next day, under big headings, "We Must Take Revenge," many wall papers depicted the Japanese bombing of the previous day. The local papers, in their editorials, while strongly condemning the Japanese atrocities, and stigmatizing the islanders as the "arch enemy" of the Chinese people, commented indignantly that "now, the debtor (meaning the Japanese) owes us another bloody debt (meaning the bombardment) for which we must demand settlement, etc. China's fighting Generalissimo, in his timely message to the nation, said: "I believe that the people will forever remember the Japanese brutality and will forever remind posterity of it until the invaders are annihilated and the deaths of our unfortunate brethern are avenged."

Therefore, in bombing the interior cities and committing more atrocities, there can be only one result, that is, to harden China's determination to resist to the last and to intensify Chinese resentment against the Japanese militarists. The raids filled the hearts of all inhabitants with deep grief and extreme hatred of the Japanese. There was no better way of intensifying anti-Japanese feelings than to have them see their friends and neighbors killed and maimed and their houses burned down by enemy bombs before their own eyes!

## Middle Kingdon Spirit

Such is the undaunted spirit of the Chinese today. It is apparently the revival of the spirit of the Middle Kingdom, which is well expressed by many slogans visible everywhere in China today, such as 爲國犧牲 or "To sacrifice Life for the Nation;" 爲國報仇 or "To take revenge for our brothers and sisters." etc. With such an undaunted spirit, explosions of bombs, ear-splitting detonations of heavy artillery, terrible destruction of cities, and high toll of lives whom the whole nation regards as martyrs China will never beat a retreat. With such a spirit, there is no wonder that the Chinese people are perfectly willing to stand hardship. There is not a word of complaint at present sufferings, but implicit faith in Chinese resistance. In resisting the Japanese invasion, such an undaunted spirit is the sharpest weapon. The invaders may have succeeded in penetrating the Chinese line of defence, but they can never break down China's undaunted spirit. With the enforcement of the Spiritual Mobilization which places the national interest first, this spirit is bound to be further strengthened. It is the spirit which explains the ability of the Chinese to carry on the war already for two years with not the slightest sign of weakening or demoralization.

# Nippon Company Seeks Supply of Cocoons Here

Silk filatures in Shanghai have been given to understand that they must sell to the Japanese-controlled Central China Silk Corporation one-half of the dry cocoons which they purchase in the local occupied areas, the *Sin Wen Pao* reported June 21. The filatures are said to have rejected this demand, especially since they were to be paid for the cocoons in Hwa Hsing Bank notes.

The *Shun Pao* reported recently that 3,000 piculs of dry cocoons belonging to 18 cocoon hongs near Hangchow, were burned by Chinese guerrillas when owners reached an understanding with the Central China Silk Corporation.

Japan's anxiety to secure a supply of cocoons in China is due to a reported sharp decline in her production of this raw material for silk. Chinese sources have lately reported that the price of one picul of cocoons this year is Yen 70.50 as compared with Yen 46 last year.

# Manchuria—Japan's Great Profitless Investment

BY GUZO HAKWAISHA
(*Far Eastern News Bulletin*)

The approach of economic exhaustion in Japan nears. It is due not merely to the present war in China south of the Great Wall, but also to the serious and ever-increasing burden involved in the domination of Manchuria by the Japanese militarists.

When the present war in China started, in July, 1937, Japan was already feeling the strain involved in expenditures in Manchuria. For six years these expenditures had meant close to half a billion yen each year. Those upon railways, and various industries, were put down as "investments," but this pretense fooled only the ignorant. The railways were mainly for strategic purposes, often paralleled existing lines, and paid few or no dividends. There is no likelihood, as regards most of them, that they will ever make a profit—except by the manipulation of accounts to make losses look like gains. But they enable Japanese troops to be shipped to one district or another, for use in the ever-continuing war against Chinese guerrilla forces. The new ports in northern Korea serve the purpose of rapid transport of troops from Japan proper.

The railways are not only for strategic purposes against the Chinese, but also—in case of need—against the Russians. Japanese militarists, behind a brave showing of bluster and defiance, are terribly apprehensive of Soviet Russia. Since their serious scare last year, when they were compelled to yield Changkufeng to the Russians, they have been even more panicky. In order to impress Western Powers and the Chinese, they are compelled to maintain a defiant attitude—so far as words are concerned. They are careful, however, not to give cause for real hostilities. There have been scores of "border incidents," any one of which could have served as a pretext for militarists really wanting war. But the Japanese militarists certainly do not want war with Russia. And fortunately for Japan, the Russians also have no desire to enter into direct and large-scale hostilities.

## The Friction With Russia

Such friction as does exist with Russia, however, is a most unfortunate thing for Japan, and may have serious results. The worsening of relations with Russia is the most stupid thing the militarists have done. For years after the Russo-Japanese treaty of 1925 there were most friendly relations between the two governments. Friendship was most pronounced under Japan's civilian governments—from the 1925 treaty until 1927, and again from 1929 to 1931—but the militarists also followed a friendly policy. When the Fengtien Government tried to seize the Chinese Eastern Railway from Russia in 1929, the South Manchuria Railway refused to permit its lines or rolling stock to be utilized for the movement of Chinese troops against the Russians. When serious fighting between the Japanese and Manchurian troops started early in 1932, the Russians reciprocated by permitting the Japanese to use the Chinese Eastern Railway. General Araki, then Minister of war, favored a close and friendly understandigg with Russia. The Kokumin Domei, Adachi's military-fascist party, came out openly for a new Russo-Japanese Alliance. For years there was a friendly exchange of officers between the Japanese and Russian armies, which was brought to an end only in 1938.

It was the stupid attempt to seize the Chinese Eastern Railway in 1933 which spoiled the former friendly relations with Russia. This attempt was the immediate result of the Manchurian occupation, and of the military arrogance, to which it gave rise. Prior to that time, indeed, friendly relations had been endangered at times by over-strong denunciations of Soviet Russia by some Japanese militarists and diplomats. These denunciations of course, were made in order to favorably impress dull-witted conservatives in the West, in order to gain their support for Japanese militarist aggression by pretending that the latter was a "bulwark against Bolshevism" in Eastern Asia. Hitler was gaining conservative support by a similar pretense in the West.

## Militarists Go Too Far

The Japanese militarists, however, went too far in their attempt to secure Western Conservative support. They antagonized the Russians, who started propaganda against Japan, utilizing the declarations of the Japanese militarists as if they were meant seriously. The latter claimed to be a "bulwark against Bolshevism." The Russians, accepting this pretense and giving it a characteristic turn of their own, declared that the Japanese militarists were the "spearhead of Imperialism" against Soviet Russia. To the men who actually directed and controlled policy and propaganda, on each side, it was a sham battle. The Japanese militarists were trying to enlist Conservative sympathy and support in the West. The Russians through the Communist International were trying to secure liberal, pacifist, and labor support in the West. But there were many Japanese and Russians—even among officials—who took the propaganda "war" seriously. The attempt of Japanese militarists to curry favor with Western Conservatives by such methods undoubtedly roused considerable antagonism in Russian circles.

Of more serious importance, however, was the attempt of the Kwantung Army to seize the Chinese Eastern Railway in 1933. This was one of the most serious blunders they committed. In 1929, the Russians had shown that they were not willing to permit the Chinese to seize their valuable and profitable railway line. In 1933, however, the Japanese militarists in Manchuria actually attempted to seize the line in the same way as the Chinese did five years previously, starting with the arrest of Soviet railway officials and interference with their management of the line. The program was well under way, with the Soviet Government making vigorous but futile representations to Tokyo, by October, 1933. Then, however, after having failed to gain satisfaction from the Japanese militarists or from Tokyo, the Soviet Government published to the world a collection of official and secret documents of the Japanese military and civil officials in Manchukuo, revealing the plan in full—having obtained these documents through competent espionage work. The Japanese militarists were startled not only by the sudden Soviet display of firmness, but even more by the realization that every Japanese move was known to Moscow. They promptly halted their program, and finally agreed to purchase the line from Russia. This stupid plot, however, was one of the most important factors in creating friction between the Japanese and Soviet governments. From that time on, the Soviet Government devoted its influence openly to blocking the Japanese militarists in China. It was a most costly error for Japan.

Through the exacerbation of relations with Russia, resulting in the heavy fortification of the border by the Russians, the Japanese militarists not only maintained a certain amount of sympathy and support for themselves among reactionary Westerners, but also gained an excuse for further military expansion, using the "Russian menace" as a pretext in their demands for more funds at home. Even before that, however, the Manchurian costs had been mounting up. The militarists and their agents, in order to gain some popular support for their Manchurian adventure, had declared that it would relieve Japan's economic difficulties. Only the ignorant and gullible believed this, as Japan's heaviest economic burdens were those of the militarists themselves, plus the national debt and other continuing expenditures for their previous adventures. But the promises of the militarists themselves were soon belied by their own statements. Within two years of the occupation they were beginning to explain that economic relief could not be "immediate," but would be forthcoming at some future date. First was necessary the "investment" of Japanese capital. Some day such "investments" would bear abundant fruit, it was claimed. But that day was put further and further into the future, while the expenditures mounted year after year. Government bonds were issued in ever-growing amounts, while Japan's government banks and other investors were levied upon for "investments" in Manchuria.

## Expenditures in Manchuria

In 1933 the officially listed Japanese military expenditures in Manchuria were Yen 162 millions—paid by Japanese taxpayers. By 1936 they had risen to more than Yen 183 millions and were still rising. For the building of strategic railways (which Japanese investors were told would "open up the country" and produce profits and dividends) and the purchase of the Chinese Eastern Railway, there was an average expenditure of more than Yen 200 millions yearly down to 1936. The South Manchuria Railway issued new debentures year after year—including many enterprises outside of railways. The S.M.R.'s direct investments at the end of March, 1936 amounted to over Yen 800 millions, including Yen 305 millions in railways, Yen 120 millions in coal mines, Yen 100 millions in harbors, etc., but there was no increase in the Railway's profits corresponding to the increase in "investment"—despite the seizure of various Chinese railways in Manchuria, and their "management" by the South Manchuria Railway. S.M.R. profits, in fact, fell from Yen 61 millions in 1932-3 to Yen 43 millions the following year. In 1935-6 they had not yet recovered to Yen 50 millions (in depreciated yen).

Many stretches of railway, indeed, were unprofitable even before the occupation, as a number of lines—both Japanese and Chinese—were built for strategic or competitive purposes, rather than directly for economic reasons. But Japan's "military economists" extended unprofitable development into other lines of "investment" as well. The low-grade iron of Manchuria could only be worked at a loss, foreign iron being much cheaper, but the militarists nevertheless established their own iron and steel plants—for the production of the most expensive steel possible. Shale oil was also produced—likewise far more expensive than imported oil. In order to make the use of this Manchurian oil economically possible, the militarists had to establish an oil Monopoly and shut out foreign competition. The economic aims of the militarists were to increase the production of military necessities in their own domains, instead of purchasing them more

cheaply abroad. This was the objective of the "economic development" of Manchuria. Japanese taxpayers have paid the bill, except that portion which is to descend as a still more crushing burden upon their children.

Pig iron production, which in 1930 had stood at some 290,000 tons at Anshan and 85,000 tons at Penhsihu, had by 1935 been increased to almost 412,000 tons at the former, and still more remarkably at the latter. Every ton represented a loss of at least Yen 10, as compared with the price of foreign iron. An even more thoroughgoing way of disposing of Japanese taxpayers' money for military purposes, with no possible hope of an economic return, was represented by the great Showa Steel Works, established at Anshan, capitalized at Yen 100 millions. The first plant was opened in May, 1935. The plant has been expanded, and steel production steadily increased. As the ore is low-grade and inferior, all production involves loss, despite the cheapness of Chinese labor.

## False Promises Made

Japanese workers had been told, in the early years of the invasion, that Manchuria would not be a field for capitalistic exploitation, but would be directed by the military for the interests of the Japanese people as a whole, with great opportunities for Japanese employment—as well as colonization, etc. These promises, of course, were as false as the promises made to Japanese investors. The new railways and new industries created or expanded by the militarists utilized a limited number of Japanese as technical men, managers, or in a few special grades of employment, but the great mass of the workers were Chinese, who received less than half the wage which Japanese workers received at home. In order to make these economically unprofitable enterprises at all possible, it was necessary to employ this underpaid Chinese labor, living at almost sub-human standards.

Not only did Japanese labor have little opportunity for employment in Manchuria, but it was actually faced at home by the competition of Chinese labor in Manchuria. Besides the great enterprises of the militarists in Manchuria, there were a number of enterprises—textile, etc.—founded by Japanese capitalists for profit-making. Where profits were obtained, it was because of the cheapness of Chinese labor as compared with Japanese. Industries in Japan itself were faced with direct competition from industries established in Manchuria. Industrial workers in Japan were forced to compete with Chinese workers. The whole development of those years was marked by increasing distress among the workers of Japan, despite the great increase in Japanese exports following the devaluation of the yen in 1931-2 and subsequently.

## Why It Does Not Pay

One reason why the militarists have not been able to "make Manchuria pay," however, is due to circumstances quite beyond their control. The great export of soya beans, which was the basis of "Manchurian prosperity" and the great fortunes and growing armies of the Fengtien warlords, has dropped disastrously. Had the Japanese militarists had any knowledge whatsoever of world economic developments they would have known that this export was declining, and was inevitably due to decline further. In 1931, indeed, the signs of this were clearly evident to careful observers—not only in world markets but in Japan itself. Manchuria's foreign trade figures furnish clear evidence of the serious disappointment the Japanese militarists have experienced in this respect. They took over not an increasingly profitable economy, but a declining one. They succeeded, indeed, in seizing Chang Hsueh-liang's great arsenal, his airplanes, his railways, his banks, etc.—as well as great quantities of his personal property—but the source of this vast wealth was already drying up. Manchurian economy was not only depleted, but definitely on the downward path.

Both China and Japan, for many years, have had a very unfavorable trade balance, reversed only in some quite exceptional years. Manchuria, however, was a marked contrast to other parts of China, as for many years this great area had exported far more goods than it had imported. Manchurian exports grew from less than $45 millions in 1908 to almost $500 millions in 1929—without counting the shipments from Manchuria to other parts of China, which were also of great importance. Far the most important of Manchuria's exports were soya beans and their products, which were shipped both to Western countries and to Japan as well as to other parts of China. Manchuria was the only great area in Eastern Asia with a huge surplus for export, and a favorable trade balance. Bean production not only enabled the Fengtien rulers enormously to increase their personal fortunes and their military power, but also provided a livelihood for great numbers of Chinese immigrants from further south, particularly from Shantung.

## Soya Bean Trade Decline

Exports of soya beans and bean products at one time reached $300,000,000 yearly. In 1931 they made up 23 per cent of China's exports abroad, nearly all of this particular export coming from Manchuria. Japan had been a most important market for Manchurian beans and bean products, which were useful both as food and for industrial purposes. Of greater importance, however, was the use of bean-cake (made from the residue left after the oil has been pressed from soya beans) as fertilizer for Japanese farms, supplementing human and animal manure. Ten years ago, however, chemical fertilizers were found cheaper than bean-cake, and were increasingly manufactured in Japan, which greatly decreased its purchases of Manchurian bean-cake. At the same time, Western countries were increasingly cultivating the soya bean in their own territories. Japan began in 1927 to reduce its purchases of Manchurian bean-cake (of which it was far the most important purchaser), the export of which declined steadily. The export of bean oil, which also reached its maximum in 1927, likewise declined. Owing to the extreme cheapness of Chinese goods during the years of falling silver, the export of soya beans did not reach its maximum until 1929, after which it also began to decline. Despite the unprecedentedly low prices, the economic depression in the West seriously affected the market.

This was the situation when Japan's militarists, utterly ignorant of commercial trends—either as regards China, the world, or even Japan itself—occupied Manchuria. The war in Manchuria made things worse, through interference with communications and the loss of general security.

Down to 1932, Manchuria had had an enormously "favorable" trade balance, both in relation to foreign countries and in relation to other ports of China. Despite the world economic crisis, Manchurian exports to foreign countries amounted to over 430 million Chinese dollars in 1930—a hundred million dollars more than imports. Manchurian exports to foreign countries and China together totalled almost 600 million Chinese dollars, and imports less than 460 millions. Careful economists, indeed, point out that the balance was much greater, as the Chinese Customs figures usually under-value exports, owing to a failure to revise their figures in accordance with changing prices each year. The actual value of the Manchurian export for 1930, therefore, has been put at some $880 millions.

After the occupation, however, there was a very serious change. Trade figures for 1931 showed Manchurian exports of 739 million Manchurian yuan (of similar value of the Chinese dollar) and imports of 344 millions, leaving a "positive" balance of 395 millions. For 1932 the figures showed exports amounting to 616 million Manchurian yuan, and imports of 301 millions, the "positive" balance being reduced to 315 millions. By 1933 exports had declined to 424 million Manchurian Yuan, while imports had jumped to 516 millions, reversing the balance altogether. The "unfavorable" balance of 92 million yuan in 1933 increased to 145 millions in 1934, and has continued the same trend ever since. Manchuria had ceased to be a country with a favorable export balance, and a steady income from this balance. It now produces not a profit, but a deficit. The deficit is made up by increased taxes upon the Japanese people today, and loans to be repaid by them tomorrow.

## Liars Can Figure!

The militarists and their propagandists have pointed out, indeed, that Japanese exports to Manchuria have increased. This is true, so far as it goes; the figures are there to show it. But when these trade figures are used to indicate that Japan has gained by the process, one is reminded of the American expression that "figures don't lie, but liars do figure." Exports of Japanese cotton goods and other materials for mass consumption in Manchuria have actually declined, owing to the great poverty and lack of purchasing power among the ordinary Chinese of Manchuria. The big increase in Japanese exports to Manchuria is in certain specific lines. It includes railway and building materials, for the service of the militarists' strategic and industrial needs in the occupied territory. It has also included automobiles, wheat, flour, beer, fruit, etc., for consumption by the Japanese militarists, by their prosperous business proteges, or by their humbler camp-followers. The "luxury" items have now been drastically cut down, but the general economic situation remained unchanged as regards Manchurian-Japanese trade relations. Japanese exports to Manchuria, whether for strategic and industrial purposes or as personal luxuries for the Japanese ruling class and their Chinese puppets, have been paid for out of the hundreds of millions of yen poured into Manchuria from Japan each year for military and "investment" purposes. The nature of the exports make this clear beyond any doubt. It is consumption mainly by Japanese in Manchuria, instead of by Japanese in Japan. It is paid for by the Japanese taxpayers who finance the militarists.

The terrible burden of Manchuria upon the Japanese people was being seriously felt even before the war started south of the Great Wall in 1937. It was with Japan's economy already seriously strained by this Manchurian burden, which had already amounted to more than two billion yen since the occupation started in 1931, that the militarists embarked upon the present hostilities. Since then, their expenditures in Manchuria have expanded greatly, owing to the necessity of dealing with Chinese rebellion there, with invasions of the Chinese Eighth Route (ex-Communist) Army, with the terrible possibility of a blow from the Russian side. If there is a Japanese collapse under the strain this summer, it will be traceable largely to the crushing burdens which the militarists saddled upon the Japanese people by the occupation of Manchuria.

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# Chungking Limits Cash Withdrawals As Japan Restricts Yen Movements

A fresh complicating factor in China's already involved currency and financial situation was introduced June 22 when, by order of the Ministry of Finance in Chungking, a restriction was imposed on withdrawals of deposits placed with Chinese banks in Shanghai. For an indefinite period, withdrawals have been limited to $500 in cash per person per week, exception being made in the case of payrolls and funds required for official purposes.

According to the official explanation, the limiting order was issued to prevent certain elements taking advantage of the Tientsin situation to cause rumors in Shanghai which would result in the withdrawal of deposits and a rush to buy foreign exchange.

Persons or firms requiring sums in excess of $500 per week may secure such additional funds only in the form of "Wei Wah" orders, which are not convertible into cash, but may be used for inter-bank transactions.

## Measure is Welcomed

Chinese and foreign bankers joined in welcoming the Chungking order, which, they believed, would have the effect of saving several of the smaller Chinese banks whose cash resources were reportedly being drained away by depositors nervous over the position of the Chinese dollar, worried by the fear of some Japanese action against the International Settlement, and therefore anxious to convert their holdings into foreign currency. Withdrawals during the first half of this month were said to have been tremendous, constituing a danger signal that could not be ignored.

The leading Japanese commercial daily, *Chugai Shogyo*, exulted on June 24 (according to *Domei*) over Chungking's restriction order, describing it as a moratorium foreshadowing the collapse of China's national currency. The restriction, the paper declared, will invite public mistrust, since in August, 1937 the Chinese banks pledged themselves never to limit withdrawals. The journal went on to declare that "a battle over currency is now in full swing between Japan and China, or rather between Japan and Britain, and there is every possibility of its being fought more bitterly." At the same time, the paper believed that "there will be a good chance for the Hwa Hsing Commercial Bank to develop its business."

## More Banknotes Wanted

Chinese bankers in Shanghai have petitioned the Ministry of Finance in Chungking to send more legal tender notes to this city for circulation, since the recent order restricting deposit withdrawals has caused a shortage of circulating currency and a consequent decrease in the volume of business. Decreased circulation of bank notes, it was pointed out, reduced business because buyers have insufficient cash with which to pay for the goods they wish to buy.

Countering Chinese charges that the shortage of one-cent copper coins in Shanghai has been caused by the action of the Japanese in buying them up for shipment to Japan, where they were destined for munition factories, Mayor Fu Siao-en, head of the puppet municipal administration here, alleges that Chinese Government banks here have been secretly buying up the coins and sending them to Chungking for use in the manufacture of fire-arms. According to the Japanese-controlled *Hsin Shun Pao*, Mayor Fu has made representations to the Consular Body on this subject, also to the administrations of the two foreign-controlled areas, requesting them to suppress this "smuggling of coppers."

The Shanghai Bankers' Association has decided that all member banks shall close for a period of three days beginning July 1 so that accounts may be made up and books closed for the first half of the current year. According to the *Shun Pao*, which quotes financial circles, the Chinese banks have all made considerable profits during the past six months.

**Boycott Theme**

*China Today*

The same paper reported last week that Sir Frederick Leith-Ross, chief economic advisor to the British Government, will visit China in the near future. The British financial expert was in China in 1935, when he played a prominent part in the monetary reforms undertaken by the Chinese Government at that time.

The price of silver on the world's markets declined sharply last week when it was reported that the U.S. Treasury would confine pegged price buying to silver newly mined in the United States as from July 1. The United States fixed price stands at 45 cents per ounce from the Treasury and 42¾ cents on the open market. The differences between American and foreign price levels enabled some traders to profit heavily in the New York market, *United Press* reported.

## Japan and the Yen

Japan's currency situation was brought into the spotlight again on June 23 when the Tokyo Finance Ministry issued stringent foreign exchange regulations "designed to stabilize the yen market in China by check-

### U. S. SENATE VOTES SILVER ACT REPEAL

**Repeal of the Silver Purchase Act uudeı whose provisions the United States has for several years been buying silver from foreign countries was voted by the Senate in Washington on June 26, according to *United Press*. Financial experts said the repeal of the act, if approved by the full Congress, would affect mainly Mexico and China, and to a lesser extent Canada, Peru and Chile. The senate repeal vote is said to have caused dismay in Mexico City. If repeal finally goes through, the principal foreign market for China's silver holdings will be closed. Chinese banks in the foreign concessions in Tientsin hold $50,000,000 worth of the white metal. Japan is demanding that it be surrendered.**

ing the increase in Japanese travellers to the continent."

Heretofore, Japanese travellers going abroad have been permitted to carry Yen 2,000 for expenses, including Yen 1,000 in cash and a letter of credit or a money order for another Yen 1,000. Under the new regulations, the maximum amount in cash, a letter of credit, or a money order which a Japanese traveller can take out of his homeland is fixed at Yen 500, with the stipulation that special permisison must be obtained to take more than this sum.

Previously there were no restrictions on imports of Japanese bank notes from abroad, but the new regulations place such imports under a license system, except for a maximum amount of Yen 200 which can be carried by travellers to Japan.

In explaining this singular lack of confidence in their own currency, the Japanese Government, through the Vice-Minister of Finance, Mr. Ryuta Ono, declared that Japanese travellers to China had been adversely affected by the yen market there. Restrictions on imports of Japanese notes were intended to deter merchants from taking undue advantage of cheap yen quotations abroad, he said.

The London *Financial News* expressed a clearer view of the situation, declaring that Japan's gold and foreign exchange is rapidly nearing the point of exhaustion. The journal also believed that Japan was actually conniving at the growth of an unofficial market for yen, hoping to stimulate invisible exports—for example, the tourist traffic—by encouraging the use of depreciated yen.

## Savage Sentences Given Alleged Reds in Harbin

Sentences matching in savagery those meted out to the opponents of Nazism in Germany and Fascism in Italy were recently imposed by the Harbin high court upon 114 Chinese alleged Communists of a total of 385 arrested in a wholesale round-up on March 15, 1938, according to a *Reuter* report from Hsinking on June 26.

Ten of the accused were sentenced to death, seven to life imprisonment, three to 20 years' penal servitude, eight to 15 years' penal servitude, and more than 30 to 13 years' penal servitude.

Exactly when the sentences were imposed has not been disclosed, but according to *Reuter* a great sensation was caused in the Manchukuo capital when the press ban on the sentences was lifted and announcement made of the fact that some of the cases had been disposed of. No mention was made of the disposition of the 271 persons whose sentences (if any) were not announced.

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# Nippon Writer Urges Speedy Ending of War in View of European Crisis

BY TOSHITSUGU IWAKI

*(of the Railway Ministry)*

*Translated from Keizai Magazine, June, 1939*

WHERE will Japan be in the event of another large-scale European war? In the Great War Japan fought on the side of the Allies; she was so obliged on account of the Anglo-Japanese Alliance which was in force at the time. Japan's position is, however, entirely different at present, for she is in no military alliance with any European power. The anti-Comintern pact, to which she is a signatory, is nothing more than a political agreement. Legally speaking, therefore, Japan is under no obligation to participate in a general European war.

At a time like the present, however, when the world Powers are closely interrelated with one another economically and politically, the principal Powers of the world will unavoidably be drawn into a general war. The United States, for example, has already declared that she will side with the democracies in the event of war, and is making preparations for such an eventuality. It would be very difficult, in the circumstances, for Japan to maintain neutrality. Moreover, she is in danger of being drawn into the vortex of a world conflict, because of the Sino-Japanese hostilities now going on. In a sense, Japan is at war with Great Britain, Soviet Russia, France and America that have been, and still are, lending moral and material support to China. And these third Powers are hostile to the totalitarian States—Germany and Italy—with which Japan is allied for the purpose of guarding against Communism.

## China's Time-Honored Policy

China is at pains to draw Japan into a general world war, so that she may be able to derive some benefit therefrom. Her time-honored policy is one of playing both ends against the middle. She is fighting on, she would have the world at large believe, with the object of staving off the aggression made by the totalitarian states on the prevailing world order. She has been and is trying to enlist the sympathy and support of the democratic Powers, a fact which may be gathered from the tones of the Chinese press. It may be mentioned in this connection that Sir Archibald Clark Kerr, British Ambassador to China, is said to have promised General Chiang Kai shek on April 16 that Britain would keep on assisting China, instead of taking the trouble to mediate for peace. As if to confirm this verbal promise, Chiang made a statement two days later that the National Government would continue offering resistance in contempt of Japan's ability to stand a prolonged war.

How is it, then, that the jingoists in China are out to see that Japan is involved in a general war? It may be that China is most anxious to settle the present hostilities by uniting efforts with the democratic nations that have rights and interests in her territory. For she knows full well that she could not possibly emerge victorious if she were to carry on hostilities single-handed. She therefore believes that, if and when Japan participates in a European war and she (China) can keep up hostilities with Japan till the end of such a war, she may be able to conclude peace with Japan on terms advantageous to herself.

What is more serious to China is the possibility of Japan's remaining neutral in the event of a European war. For, should Japan keep out of such war, China would have to carry on hostilities without being able to depend on the assistance of third Powers which would naturally be too busy minding their own business to think of helping China. It is highly probable that a European war, if any, will prevent Great Britain, France, Soviet Russia and America from keeping on supplying China with arms and the sinews of war. China's policy of so-called long-term resistance will thus defeat its own purpose. Hence her ardent desire to see Japan involved in a European war.

If, therefore, the present crisis in Europe develops into a state of war, and that before the Sino-Japanese conflict comes to an end, then Japan will find herself confronted with the great danger of being forced to take part in it. Should such a thing eventuate, the so-called China Incident would automatically cease to be regarded as such and become part of the world war in question. Japan would then have to face the combined forces of China and the Soviet Union on land and the combined navies of Britain, America, France and Soviet Russia. As things stand at present, however, the prospect is not so gloomy as might be imagined. Great Britain is insisting, for example, that the European crisis should be dealt with separately from the crisis in the Far East, thus refusing to comply with the Soviet request that British and French support be given in the event of war between Japan and Soviet Russia. But there is this possibility all the same, that, if Japan makes a united front with Germany and Italy by reason of the anti-Comintern accord, then Britain, France and America will dispatch forces to the Far East to aid the Soviet Army.

On the European front, Britain and France would have to concentrate the main forces of their armies, and that would compel them to send their colonial forces from India and French Indo-China to the Far Eastern front. But they would be able to give China assistance in the way of supplying arms and funds. As for the Soviet Union, she would mobilize her Far Eastern army to make united efforts with the Chinese army. As regards sea power, Great Britain, France, America and Soviet Russia have each a strong navy. As their combined fleet seems to show preponderance over the combined German and Italian navies, the Far Eastern fleets of Britain, France and Soviet Russia and half of the American naval strength would have to be disposed to provide against the Japanese navy. Even this will not stop us from imagining that our "Invincible Armada" would none the less succeed in facilitating our army's operations on the continent. Still, Japan would experience some difficulty in obtaining from abroad such materials as are required for the carrying out of modern warfare.

So long as Germany and Italy would make headway on the European front, Japan would probably be able to hold her own on the Far Eastern front. But as to what bearing such an eventuality would have upon Japan's object of fighting China, it is another story. We need scarcess repeat saying that Japan is carrying out holy tilities with China to establish a lasting peace and construct in East Asia a new order based on the principle of tripartite cooperation and coordination between Japan, Manchukuo and China. To attain this object, we must settle the Sino-Japanese conflict as speedily as possible and proceed with the program for our continental work. It stands to reason that, if the China Incident should come to be regarded as a part of a world war, its settlement should necessarily be delayed and that progress in our constructive work on the continent should also be retarded for reasons that are purely economic.

Number 3 Is S ill Hesitating

*Pease in Newark Evening News*

## Settlement Seen Coming

It is generally believed that the Sino-Japanese hostilities will be long drawn out. But the fact of the matter is that, thanks to the illustrious achievements of the Japanese forces on the battlefield and the gallant constructive efforts in the occupied areas, the China Incident is unquestionably on the road to settlement. Moreover, there has recently risen in China a peace movement born of discouragement due to continual repulses. But if the present conflict resolves itself into a part of a world war, the morale of the anti-Japanese elements in China may again be stirred up and our continental task may meet with a setback.

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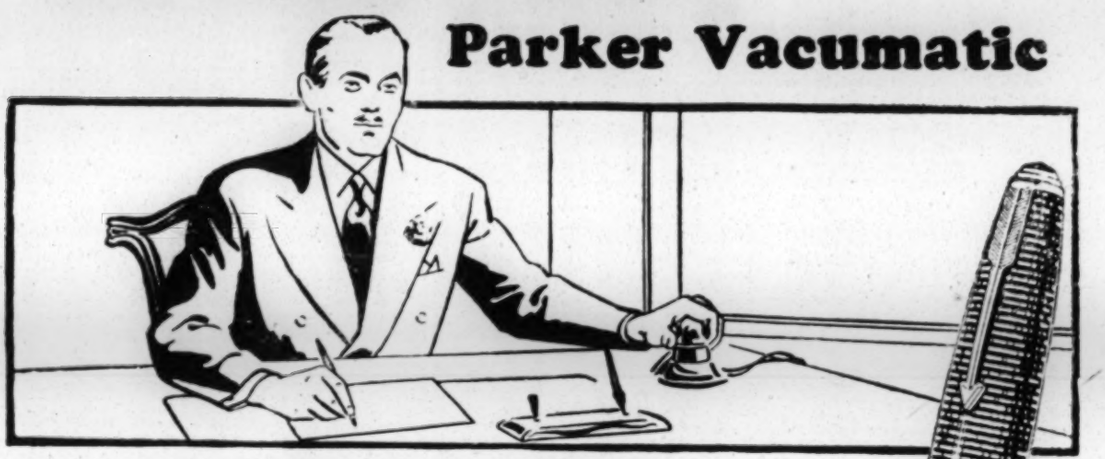

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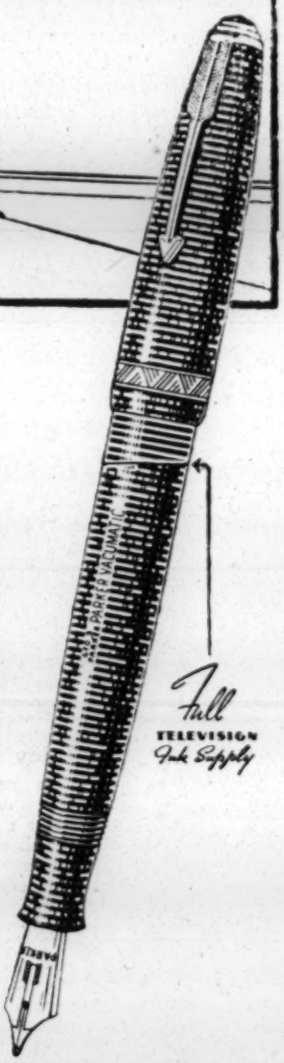


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## Maximum Rice Prices Fixed by Councils

Efforts to place a curb on the soaring prices of rice were seen last week in the action of the S.M.C. and F.M.C. in posting notices in the rice markets, fixing the price of first-grade rice at a maximum of $21 per zar and the price of See Mee at a maximum of $17 per zar. Any prices over and above these figures, the notices said, would not be recognized by the rice guilds and should be reported to the police. Major Fu Siao-en of the Shanghai City Government was endeavoring to follow suit, the Japanese-controlled *Hsin Shun Pao* reported, and to place limits to rice prices in Japanese-occupied territory. Prices of the staple soared recently with the slump in the Chinese dollar, while some rice merchants, in accordance with their usual practice, have been endeavoring to create an artificial shortage of the staple in order to charge exorbitant prices.

## Foreign Jews in Reich Hit by New Decree Law

Jews in Germany, enjoying foreign nationality, and hitherto immune from the operation of anti-Semitic Nazi decrees, will henceforth be subjected to some of the humiliations hitherto practiced only on German Jews, the *Havas* agency reports. The Home Ministry in Berlin has decreed that they will not be permitted to visit German health resorts unless in possession of a health certificate approved by the Pulbic Health Office stating that such visits are necessary for purposes of treatment. Where a certificate is granted, the holder will be permitted to reside only in certain hotels, the female servants of which shall be over 45 years of age. They will be allowed to use the thermal baths and drinking fountains only at specified hours and will not be admitted to public gardens, beach concerts, restaurants or reading rooms. Only foreign Jews having exterritorial rights by virtue of employment in consular or diplomatic services will be exempt from these anti-Semitic measures.

The Dutch Parliament at the Hague passed a bill on June 21 providing for the establishment of a refugee camp to accomodate 2,500 Jewish refugees and to give them special training courses before they leave Holland to settle elsewhere, *Transocean* reported. In the course of the debate on the bill, it was revealed that there are between 20,000 and 25,000 Jewish refugees at present in Holland, of whom 3,600 are already in camps.

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**FOREIGN CORRESPONDENTS :**

NEW YORK, LONDON, BERLIN, PARIS, GENEVA, OSAKA AND HONGKONG

# Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

*First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of the Review.*

**June 11**

Fighting resumed across the Yellow River. Chuntu, important crossing point of the river on Shansi side, occupied by the Japanese, who, however, were reported to have suffered heavy casualties as a result of severe fighting with the Chinese. Pinglu, another crossing point, said also captured; 8,000 Japanese troops participated in attack on this town, suffering some 2,000 killed and wounded, according to Chinese reports.

Japanese residents of the French Concession in Tientsin ordered to evacuate; generally believed that the contemplated Japanese blockade against the British Concession would also be extended to the French Concession. Many Japanese establishments, official as well as commercial, have already moved out of the British Concession.

Attempt at mass poisoning of Japanese officials and Nanking puppets made at a dinner given by the Japanese Consulate-General at Nanking last night, when poisoned Chinese wine was served. According to Japanese report, had the plot been successful, it would have wiped out the "key" members of the Nanking regime. The principals of the plot believed to be two Chinese brothers, one of them a cook, employed by the Japanese Consulate for the past six years. Both escaped.

According to statistics revealed by the Ministry of Education, Chinese educational institutions suffered terrific losses as result of the present hostilities. Losses sustained by 8 government universities alone totalled nearly $18,000,000. Of 5,500,000 books in Chinese libraries, 2,800,000 have been lost.

China, in 1938, sold 800,000 cases of tea abroad, valued at $33,000,000. Of the total export, 264,000 cases were traded for war and construction materials.

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**June 12**

Chungking and Chengtu bombed by Japanese air squadrons of 27 planes each last night. Mrs. S. H. Liljestrand of the American Methodist Episcopal Mission in Chengtu injured and her house destroyed during the raid. Another foreigner, whose name not yet ascertained, also wounded. Three of the raiders said shot down in Chengtu and a similar number of them in Chungking during aerial combats with Chinese pursuit planes. Number of casualties yet unknown, but believed heavy in the case of Chengtu.

Leading Americans in Chungking, including George Fitch, Frank Price, W. P. Fenn and L. C. Smythe, cabled President Roosevelt, Secretary of State Cordell Hull and Senator Key Pitman, protesting against the Japanese bombing of Chungking and Chengtu.

Minosaku Miyashita and Tamakichi, chancellors of the Japanese Consulate at Nanking, died (yesterday) of the poison contained in the Chinese wine served at the banquet on June 10. Several of the Nanking puppets, particularly Liang Hung-chih and Kao Kuan-wu, said to be in serious condition due to the effect of the poison.

Sir Archibald Clark Kerr, British Ambassador, now in Shanghai, threatened with violence. Police and military guards of the Ambassador's office and residence increased.

Japanese authorities in Tientsin announced that the British and French Concessions would be blockaded starting on June 14. Many foreign women and children are evacuating the concessions. Situantion tense, as rumors of various kinds rampant.

Chen Chin-tao, 68-year-old governor of the puppet Hua Hsin Bank and finance minister of Nanking, died in Hongkew after long kidney ailment.

The ancestral tombs of Fu-Siao-en, Japanese-appointed "Mayor" of Shanghai, in Chenhai, Chekiang, destroyed by bombs during Japanese air raid on that city on June 10.

Chinese Foreign Office at Chungking reported to have protested to the British Embassy against the handing over of two alleged Chinese assassins in Tientsin to the Japanese authorities, in partial compliance with a Japanese ultimatum which expired on June 7.

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**June 13**

The Japanese Army in Tientsin issued statement, announcing that the blockade against the British and French concessions would start at 5 a.m. tomorrow. The statement said that the Japanese authorities wanted the British authorities to discontinue:

1. Affording protection and providing a feeling of security to anti-Japanese and Communistic elements in the British Concession.
2. Supporting the Chinese national currency and hampering the circulation of the Federated Reserve banknotes.
3. Causing a rise in the price of commodities by hoarding.
4. Conniving in the use of unregistered wireless stations.
5. Allowing the use of anti-Japanese textbooks in the British Concession.

The blockade would be continued until the British hand over the four wanted alleged Chinese terrorists and change their attitude regarding British assistance for Generalissimo Chiang Kai-shek's regime, the statement added.

Lord Elibank, former President of the Federation of Empire Chambers of Commerce, declared in the House of Lords that the Japanese were contemplating to seize Shanghai on July 7, the second anniversary of the Sino-Japanese war, according to London report. He protested against the government's decision to reduce the number of British troops in Shanghai. Foreign Secretary Lord Halifax denied the rumor that the British garrison in Shanghai would be weakened.

Gen. Ho Ying-chin, War Minister, predicted in speech at Chungking yesterday the speedy collapse of the Japanese campaign in China. He said that 864,500 Japanese had been killed or wounded since the outbreak of the hostilities almost two years ago. Japanese casualtiés mounted sharply in April and May during the Chinese counter-offensives. Japanese soldiers killed in these two months alone numbered 105,737, he said.

Chinese troops recaptured Liulin and Mutsun, in west Shansi, as a result of the counter-offensive launched three days ago.

The Japanese air raid on Chengtu on June 11 resulted in about 1,000 casualties; property losses suffered by the American missionaries estimated at about US$2,000, according to foreign reports.

**June 14**

The Japanese blockade of the British Concession in Tientsin commenced. Many Britons suffered humiliating searches by Japanese sentries. Eric Mayell, British photographer, arrested and detained by the Japanese for taking photographs.

The Japanese Consulate-General turned down the British proposal for the formation of an arbitration court consisting of representatives of Japan, Britain and other third powers to decide whether there was enough evidence to warrant the British authorities handing over the four alleged assassins of S. G. Cheng, (Japanese appointed superintendent of Tientsin Customs) to the Japanese, it was officially announced by the British consular authorities.

The Japanese cabinet decided to pursue a "vigorous policy towards the foreign concessions in China," including those at Tientsin, according to Tokyo report.

Control of the currency in North China—one of the major objectives of the Japanese blockade around the British and French Concessions in Tientsin, declared Japanese Foreign Office spokesman in Tokyo.

Japanese planes raided Foochow yesterday morning; Chinese civilians machine-gunned; the American-owned Texaco gasoline installations destroyed during bombing.

Japanese aircraft (yesterday) also raided northwestern Hunan. Many cities in Kiangsi and Chekiang raided on June 11, according to reports received at Chungking.

Huge sums of money, totalling $2,908,088.70, were expended by the International Shanghai Red Cross for relief among refugees and wounded soldiers in Shanghai between October 1937 and March 1939, according to annual report issued by the organization. Leading contributors were the Chinese Government and the two American Avisory Committees..

Collective action by the Powers urged by Foreign Minister Wang Chung-hui in statement on the Japanese blockade of the British and French Concessions in Tientsin. "Japan's bluff," the Foreign Minister said, "can be called if the Powers will collectively cease to purchase Japanese goods and bar all supplies to the island empire, instead of allowing their rights and interests to be trampled upon."

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**June 15**

The beating of a Briton by a Japanese officer, great indignation that Britons had been "stripped buff" by Japanese sentries, and failure by Japanese instigators to force a Chinese mob to demonstrate in the British Concession marked the second day of the Japanese "siege" of the British and French Concessions in Tientsin.

Ivor House and H. G. McKenzie were two of the numerous Britons who were subjected to humiliating treatment by Japanese sentries. Mr. McKenzie was stripped naked by Japanese sentries while leaving the British Concession.

The Japanese authorities in North China understood to have decided to continue the "isolation" of the British and French Concessions in Tientsin until Britain "radically revises her 'pro-Chiang Kai-shek and anti-Japanese attitude.'" stated a semi-official Japanese report in Tokyo. Decision reached after 3-day conference between military and civil representatives.

Kulangsu also blockaded by the Japanese. Three Japanese warships were stopping all supplies from the mainland, with the result that the overcorwded population of 50,000 in Kulangsu was facing a precarious situation.

Japanese navy spokesman at Shanghai that there had been no change in the situation at Kulangsu and the Japanese

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blockade had been in effect there for already two weeks.

Foreigners in Shanghai denied entry to the Hungjao Road area by Japanese sentries; no reason given for this move.

Owners and staff members of foreign-owned Chinese language papers in Shanghai were in receipt of identic letters threatening them with "capital punishment", if they continue to adopt antagonistic attitude towards Wang Ching-wei's peace proposals. Letters signed by "The Anti-Communist Division of Kuomintang."

Over 100,000 Chinese guerillas were active in Manchuria, chiefly in the Nonni and Sungari river regions, according to a statement made by General Ma Chan-shan, Commander-in-Chief of the Chinese forces in Inner Mongolia, who is personally commanding a cavalry detachment of 5,000 men.

The French and American ambassadors, Henri Cosme and Nelson T. Johnson, arrived at Chungking.

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**June 16**

Japanese blockade of British and French Concessions in Tientsin intensified, as it entered upon its third day. The British Concession facing serious food shortage.

Japanese consular officials rejected verbal protest by the British Consul-General E. G. Jamieson, against the severity of searching of Britons by Japanese sentries and the Japanese ban on the transportation of foodstuffs into British Concession. Two Chinese farmers attempting to bring vegetables into the Concession shot by Japanese sentries. Eric Mayell, British camerman, released after two days of detention by the Japanese. Japanese authorities apologized for searching Robert E. McCann, American.

According to **Reuter** message from Tokyo, the Japanese "terms" for calling off the blockade of the British Concession included:

1. A joint British and Japanese search be made for authors of terroristic acts already perpetrated and those which may be committed in the future.
2. Anti-Japanese elements in the British Concession be thoroughly controlled.
3. All attempts to distub the economic operations undertaken by the "Peking Government" in North China be liquidated.
4. Silver specie, amounting to about C$50,000,000, now held by Chinese banks in the British Concession, be handed over to the "Peking Government."

The British and French Embassies in Tokyo sent (yesterday) firm protests to the Japanese Foreign Office against a Japanese spokesman's declaration that Japan had the right to assume sovereignty over foreign settlements in China. The Anglo-French representations paralleled a similar protest delivered in Tokyo last week.

Wang Keh-min, head of the Peiping regime reported to have resigned; chief reason for his action said to be that the Japanese desire to instal Wang Ching-wei as the head of a new North China "Government." Agents of Wang Ching-wei active in old capital.

Dr. H. H. Kung, in radio broadcast in Chungking on night of June 14, reaffirmed China's determination to continue prolonged resistance against the Japanese aggression. He asserted that the invaders were weakening both militarily and economically.

China purchased in May American airplanes for US$354,900, while Japan bought airplane parts for US$13,600.

## Missionaries Accused of Anti-Nippon Deeds

Two instances of alleged anti-Japanese activities at Nanchang, involving an American and a French missionary, were disclosed by Japanese military authorities at Nanchang on June 13, according to a *Domei* report. A raid on the home of the Rev. L. W. Holland, of the American Methodist Episcopal Church, resulted in the discovery of a large number of anti-Japanese propaganda leaflets of the same type as those scattered over the Japanese front lines and over sections of Formosa and Kyushu by Chinese airplanes, the Japanese military charged.

The discovery led Japanese authorities to assume that the house of the American missionary was being used for anti-Japanese propaganda activities, *Domei* said, adding that the Rev. L. W. Holland, who is now in the Nanchang Hospital, denied the accusation. Japanese authorities, however, were said to believe that he participated in anti-Japanese activities by lending $50,000 to Gen. Hsiao Shu-yu, chief of the Political Training Institute of the Peace Preservation Headquarters of Kiangsi.

The other case involves the Rev. C. Zigenhorn, French missionary of the Lazarist Mission, who is alleged to have given shelter in his home to two Chinese soldiers "in defiance of the Japanese forces." It was assumed by the Japanese that a number of other Chinese soldiers were protected by the Rev. Mr. Zigenhorn. Japanese authorities were making a further investigation of the case.

## Peiping Puppets Stage Anti-British Meeting

An anti-British and anti-Communist demonstration organized by the Japanese under the auspices of the puppet "Society for National Salvation Through Peace" managed to attract 3,000 persons in Peiping on June 23. A *United Press* description of the demonstration said it was notably lacking in enthusiasm and that most of the participants were children. The walls of the Forbidden City were plastered with slogans urging the Chinese to take back the remaining foreign concessions. According to an advance *Domei* dispatch on the subject, the demonstration was to be linked with the Shakee Bund massacre, which occurred on June 23, 1925, when Chinese demonstrators in Canton were machine-gunned by British and French bluejackets during an anti-British demonstration. Tientsin and other North China cities were scenes of similar demonstrations.

## British Firms Buy Huge Stock of Nippon Salmon

A deal involving the purchase of 680,000 cases of Japanese canned salmon by a group of British businessmen caused considerable comment in England last week when referred to in the London trade organ, *Journal of Food Industries*. It also caused an outburst of indignation among the British community in Tientsin, who are currently being subjected to a Japanese blockade. The value of the transaction was said to be £1,760,000. Mr. Tom Johnston, member of Parliament for West Stirling, was to query the President of the Board of Trade in Parliament this week and ask an assurance that no part of the purchase be acquired by the British Government for food storage against a possible war emergency. The *Journal of Food Industries* believed there would be no Government action, "because Japanese agents in London have now decided that there is practically no possibility of this surplus being shipped" to England.

## Who's Who in China

Tsao Chung-chih, Government official; born at Chang-I, Shangtung, 1904; graduate of Cheloo University, Tsinan; member of the Kuomintang; participated in the

曹仲植字中直

**Tsao Chung-Chih**

Northern Punitive Expedition; chief of the Secretariat of the 30th Nationalist Army and the 26th Route Army; special commissioner of the Ministry of Finance; now counsellor of the Executive Yuan, special revenue commissioner of the Ministry of Finance and deputy director of the Wartime Service Corps; author of "The Problem of the Chinese Finance;" address: Executive Yuan, National Government, Chungking, Szechuan.

## Missionaries Killed In Hunan Air Raid

Two British missionaries, believed to be Mr. A. A. Caswell and his wife, were burned to death June 22 when the Canadian Holiness Movement Mission in Changteh, northern Hunan, was hit by incendiary bombs dropped from Japanese airplanes. This was according to a *United Press* dispatch from Chungking, quoting Chinese reports from the Hunan city. It was stated that Mr. W. A. Dickson and his wife, attached to the same mission, were uninjured, although the mission property was badly damaged.

A *Kuo Min* account of the bombing, contained in a dispatch from Changsha, said that 39 Japanese planes took part in the raid, dropping more than 500 bombs on the city, causing heavy casualties and untold damage by fire. The bombs were dropped indiscriminately all over the city, the dispatch said. According to the same agency, Siangyin, north of Changsha, was raided by Japanese planes on June 23, when more than 90 bombs were dropped on the residential and business sections, causing heavy casualties among civilians.

According to a report in the Shanghai *Morning Leader*, an oil tank belonging to the Texaco Oil Company at Nantai, Foochow, was bombed and destroyed June 13 by Japanese air raiders.

### Another Mission Bombed

Putien, an unfortified town in Fukien province, suffered severely in two Japanese air raids on May 25 and 26, although casualties were surprisingly few, according to a belated report received here. In the first raid, eight bombs were dropped. Five fell on the Methodist Mission and two on the C.M.S. primary school. The Methodist Church was badly damaged and one of the girls' school buildings was completely wrecked. All the students had previously been moved into the country, so there were no casualties except for the wife of the chief of police who was in a house near the church. She was badly injured but is expected to recover. In the second day's raid, six bombs were dropped. Only one person was killed, while a child sustained a broken arm. Eight houses were demolished.

A Chungking mail report which appeared in the *China Evening News* on June 24 charged that the May bombings of the provisional capital had been planned by one of China's former German military advisors who is now serving the Japanese military and that the bombing squadrons which loosed their death-dealing cargoes on the city were led by a German pilot formerly connected with the Eurasia Aviation Corporation, Sino-German concern.

Father F. A. Blanchard of the Catholic Mission in Chungking, in a broadcast address from that city at the end of May (reported in the Chungking Joint Daily) described the air raids on the provisional capital as butchery and declared the Japanese conduct to be so barbarous that even barbarians would be ashamed of it.

## China to Get Credits From France, Britain

Representatives of the Chinese and French governments have concluded an agreement for the extension by France to China of credits amounting to £1,500,000, according to a *Kuo Min* report from Hongkong on June 23. *Transocean* reported from Prais the same day that a new French-Japanese trade agreement had been concluded after six months of difficult negotiations.

The London *Financial News* recently stated that Great Britain will shortly advance a new credit to China, but the amount of the forthcoming credit was not disclosed.

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# Men and Events

Amedeo Giola, commercial adviser to the Italian Consulate-General at Bombay, India, and representative of the Delta Cotton Company, Cairo, Egypt, arrived in Shanghai last week for an investigation of the cotton situation in central China. Mr. Giola also contributes articles on commercial subjects to the Italian newspapers.

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Joe Fistere, manager of the National Aniline and Chemical Company, was elected Chairman of the American Association at a meeting of the Committee of the organization last week. R. J. McMullen was elected Vice-Chairman, J. T. S. Reed, treasurer and W. A. Adams, honorary secretary. Chairman of sub-committees include the following, P. M. Anderson, civilian relief; George Bourne, American School; Mrs. J. S. Potter, entertainment.

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Charles Rockwood, Jr. and Miss Marjorie I. Tooker have been appointed members of the faculty of Yale-in-China College at Changsha, according to report of the board of trustees in New York on June 25. Miss Tooker whose home is in Cleveland, Ohio, will become head of the Hsiang-Ya hospital, which is affiliated with the college. Mr. Rockwood is a recent graduate of Yale. He will teach English and history at the Yale Middle School, located in a village about 150 miles west of Changsha. Miss Tooker is a native of Shanghai and a graduate of Wellesley.

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Several hundred Chinese young women who serve as professional dancing partners in local Chinese cabarets, organized a "fellowship club" or trade union at a meeting held at the Carlton Theater on Saturday, June 24. The organization will be known as the Professional Dance Women's Fellowship Club. The organization has 21 directors selected from various cabaret groups. Patrons of the organization include L. T. Yuan, Chinese member of the Municipal Council, H. C. Chen, head of the Settlement Educational Department. The organization is planning an entertainment program for the purpose of raising funds for furnishing club rooms.

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Several persons were injured, two being in a serious condition, as a result of a bomb explosion in the New Market Theater in Hankow on the evening of June 22. The bomb exploded at 9:20 o'clock, shortly after the evening entertainment had started. All injured were Chinese. Japanese gendarmes immediately surrounded the theater and arrested several of the inmates. This was the second explosion of the kind which had taken place in theaters which the Japanese military had seized from Chinese owners and turned over to Japanese to operate.

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The U. S. S. Pigeon, Naval repair ship attached to the American Asiatic Squadron, has been sent from Manila to Saigon to assist the French naval authorities in salvaging the submarine Phenix which foundered with 71 men aboard on June 15. The order, issued by Admiral Harry E. Yarnell, was received in Manila, where the Pigeon is stationed, on June 24. The ship carries a diving bell similar to the one used in effecting the release of 33 men from the submarine Squalus which foundered off the New England coast last month.

Victor Keen, correspondent for *New York Herald-Tribune*, stationed at Shanghai, has gone to Tientsin to cover the Anglo-Japanese crisis.

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The United States Navy Purchasing Office, popularly known as "Navpur," which has been located for many years in the Dollar Building on Canton Road, has been removed to the 8th floor of the China development Building, where the U. S. Consulate-General is located.

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The Shanghai municipal jail, maintained on Ward Road, in the Hongkew section, by the International Settlement, now has a total of 7,377 prisoners, said to be the largest number in a municipal jail anywhere. Owing to the inability to hand prisoners over to the Chinese authorities of the local unrecognized Ta-Tao administration, the steady increase in the number of prisoners in the Ward Road jail is caused serious concern on the part of the Settlement authorities.

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Carel Birkby, British newspaperman connected with the *Argus* group of newspapers in South Africa, arrived in Shanghai last week on his way to Japan, following an extensive trip through Manchukuo, north China and several days in Nanking. Mr. Birkby said he was compiling a book dealing with Japanese psychology in wartime. He also said that it would be difficult to defeat Japan so long as the cult of Emperor worship prevailed.

•

Arch. Steele, correspondent for *Chicago Daily News*, passed through Shanghai last week on his way to Tientsin. Mr. Steele has been in West China for several months and returned to Shanghai by way of the Burma Road and India. While in India, Mr. Steele interviewed Ghandi, the Indian leader who expressed deep sympathy with the Chinese people in their struggle against Japanese aggression. Mr, Steele said that Ghandi was still the leading political power among the Indians.

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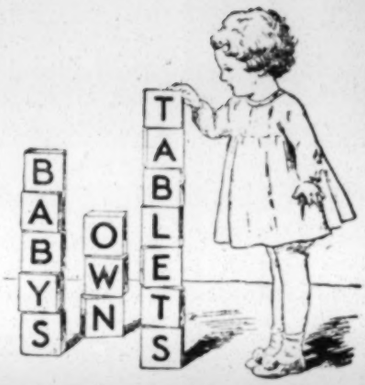
M. Ivan Louganetz-Orelsky, Soviet Ambassador to China, who has been stationed in Chungking, has been recalled to Moscow for consultation on the present military position and prospects of China, according to a *Reuter* report from London on June 22. The report also stated that M. Lozovsky, deputy Minister for Foreign Affairs has been appointed head of the Far Eastern section of the Moscow Foreign Ministry, a position previously held by the late M. Karakhan. It was thought that Mr. Lozovsky's appointment indicated a more active policy toward the Far East.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War note from the Tokyo *Asahi*: "150,000 enemy troops trapped, absolutely."

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Tatsuo Kawai, chief of the Information Bureau of the Tokyo Foreign Office, has gone to North Manchuria to inspect conditions along the Manchukuo-Siberian border.

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Hans Melchers, Far Eastern manaer of the German *Transocean* news agency, sailed for Hongkong on on Wednesday of this week on the S.S. Empress of Japan, en route to Chungking. He will be absent from Shanghai for about one month.

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The Kingdom of Thai -formerly Siam) announced on June 26 that the name of the capital had been changed from Bangkok to Thailand. The Siamese in future will be known as the people of Thai, according to United *Press* report from Thailand.

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R. S. R. Hubert, Passenger Agent for the Canadian Pacific Steamships, Ltd., has returned to Shanghai from a trip to Canada of several weeks. Mrs. Hubert and their children, who accompanied Mr. Hubert on the trip, will return to China later in the year.

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George Soderbohn, well known Swedish businessman, for many years located in Kalgan, has been arrested, according to *United Press* report from Peiping on June 27. The report stated that Mr. Soderbohn's passport had been taken but that no reason for his arrest could be ascertained at the Japanese Embassy.

Major.-General Hiroshi Oshima, Japanese Ambassador to Germany, was host at a reception in Berlin on June 22, commemorating the completion of a new Embassay building, constructed "in keeping with the Reich's plans for modernizing the German capital," according to the report. The new building covers an area of 7,474 square feet and in addition to business offices contains apartments for the Ambassador and staff.

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Dr. E. S. Tyau, recently elected chairman of the Chinese Mission to Lepers, departed on Saturday, June 24, for Los Angeles where he will be a delegate to the convention of the Moral Rearmament League, scheduled to be held in July. A farewell luncheon at the Navy Y. M. C. A. in Dr. Tyau's honor was attended by L. T. Yuan, S. K. Lug, James Tsao, T. C. Wu, Mrs. T. K. M. Siao, Mrs. J. H. Sun, Mrs. L. C. Hylbert, Drs. Ting Foh-po, Szeming Sze and S. C. Wu.

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The celebration of the American National Holiday, July 4, will begin at 9 a.m. on Tuesday morning when there will be a flag-raising on the grounds of the American School, Avenue Petain, The ceremony will be conducted by the American Association, assisted by the Fourth Marines, and will include an address by Col. J. C. Fegan. American flags will be presented to all children attending the ceremony, by C. E. Gauss, Consul-General. From 11 :30 a.m. to 12 :30 Consul-General Gauss will be host at a reception at the Columbia Country Club, following which the American Club will hold Open House for members and guests, the hours being 12 :15 to 1 :30. At 3 p.m. there will be a baseball game at the Recreation Grounds and at 5 p.m. a Polo Game between two American teams, also at the Recreation Grounds. The festivities will close with a Fourth of July Party at the Columbia Country Club, which will include buffet supper for members and guests. J. Fistere, Jr., Chairman of the Association, will have charge of the arrangements.

Dr. Ruth Weiss, who was a citizen of Czechoslovakia, has become a naturalized citizen of China, according to a report from Chungking. Miss Weiss came to China in 1933 and after four years as a teacher in Shanghai went to Chungking following the outbreak of Sino-Japanese hostilities. She is now secretary of the China Defense League and a director of the educational board of the Chinese Y.W.C.A.

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The Japanese paper, *Tairiku Shimpo*, is authority for the statement that since May 1 the so-called Tokyo Institute of Religion has sent 650 Japanese Christian ministers, Buddhist monks and Shinto priests to China for "mission" work, including the establishment of Japanese language schools, kindergartens, refugee camps, hospitals and "culture" cinema houses. According to the report in the Japanese paper the Shinto priests have been given an appropriation of Y.72,874 for expenses for the present year; the Buddhists Y.1,189,754; Christians, Y.55,567. The Tokyo "Institute of Religion" was formed under government auspices with the object of uniting all religions in a drive against "anti-Communism in China and the creation of pro-Japanism among the Chinese people."

Two Japanese, one named Minoru Shibata who allegedly came from Formosa, were banished from Shanghai by the Japanese military authorities on June 27, according to a report in the Japanese newspapers. The charge against the men, according to the report, was illegal dealing in opium, which, had it succeeded would have netted Shibata a profit of Y. 30,000. All Japanese dealings in opium in the Shanghai district are monopolized by the Special Service Section of the Army.

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The funeral of the late Dr. Shin-quong Henshaw Jee was held undre Masonic auspices at the Kiaochow Road Chapel on the afternoon of June 26. Prayers were offered by the Rev. R. J. McMullen, followed by special service conducted by the District Grand Lodge for China, Philippine Constitution. David K. Au, District Grand Master, delivered a eulogy on the life work of the deceased. Dr. Jee died last week of typhoid at the age of 49 years. He was one of the best known pharmacologists in China, having headed the pharmacy department of Yale-in-China Medical School at Changsha for several years. He was born in San Franciso in 1890 and was a graduate of the University of California. He is survived by his wife, Mrs. Anna Der Wing Jee and four children, and a brother, Luther M. Jee.

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# Helmick Delivers Commencement Talk

Nearly 505 graduates of the six higher educational institutions comprising the East China Christian Colleges and Universities —namely, Ginling College, Shanghai Unit Women's Christian Medical College, Hangchow Christian College, Soochow University, University of Shanghai and St. John's University—in addition to about 2,000 guests, crowded the Grand Theater at Shanghai on June 24 for joint commencement exercises, the main feature of which was an address by Judge Milton J. Helmick of the United States Court for China.

"We view today a world of gross economic inequality, threatened with mass slavery and brutal domination by madmen and worse," Judge Helmick told his auditors. "What has become of concepts of humanism, of 'live and let live,' of neighborliness and of charity? It seems they are currently considered impractical abstractions, only to be talked about but not actually to be implemented in the real and tangible affairs of the world."

The speaker declared that medieval mentality, utilizing modern methods and tools, spelt a horrible world catastrophe, and this danger was the concern of the young graduate today, and the concern of the whole world and civilization. The graduate, he said, was summoned to put his education to work for humanity as never before. "The times call for clear thinking and courageous appraisement of events and world practices. We are tired of the 'strong, silent men' who do nothing so impressively while the world is catching on fire. We are more than tired of the noisy, excitable 'men of action' who are doing everything to spread the flames. We are tired of the stereotyped formulas and political jargon offered us for the solution of our problems. We are tired of economic doctrines based solely upon greed and which admit no considerations of social justice. We are tired of crack-pot economists who promise miracles of abundance without brain work or any work. We are tired of mob rule under demagogues and regimentation under tyrants.

## Suggests Strike of Scientists

"What we seek is a renaissance of mentality wherein men will think in terms of sanity, reality and sincerity which may be translated into humane and sensible action. Unless the persons in control who are now shaping world civilization change their mental processes, I suggest that the scientists of the world go on strike."

The speaker went on to say that the greatest unsolved problem was the unequal distribution of the world's resources. The earth's products were not made available to the people and consequently only a minority have sufficient for their needs while the rest are in poverty, although the world contains and produces more than enough for all.

Judge Helmick urged the graduates to cultivate a sense of values, to learn to weigh, to judge and discern what is important and what is not important, what to expend vitality upon and what to minimize or ignore. By way of a specific suggestion, he advised the graduates continued study of English, which, he said, is almost the world's universal tongue and in China the secondary language.

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# New Books of Interest in the Far East

## Nippon Propaganda Effort

*THE ECONOMIC STRENGTH OF JAPAN—By Itoshi Asahi. The Hokuseido Press, 1939. 324 pp. U. S. $3.00.*

It is curious to note the channels into which Tokyo has been directing its propaganda in the past eight years. In the six years intervening between the Manchurian incident and the Lukouchiao clash, Japanese apologists concentrated their attention on attempts to explain why it was necessary for Nippon to seize Chinese territory. After July, 1937, Tokyo flooded the world with propaganda designed to show that Japan's military strength would enable her to crush the opposition of the "Chiang Kai-shek regime" within three to five months. When the Japanese military machine became bogged in the mire of China, however, Tokyo's numerous propagandists were shouldered with the task of persuading the world of Japan's economic strength, permitting her to continue war in China indefinitely.

Mr. Asahi's well-documented and beautifully-published book belongs to the last category. His goal is to show that the expense of "Japan's mission" in China makes but a slight dent in Japan's economy, that the war has not caused momentous, and possibly dangerous, changes in the economic structure, and that Japan is fully able to carry her adventure in China to a successful completion.

To prove his assertions, Mr. Asahi employs the ingenious, albeit oft-used, technique of basing his claims on figures antedating the war. While it may be true that complete statistical data on the effects of the war on Japan's economy are not available, this fact does not justify the use of obsolete figures to buttress arguments on present-day conditions.

As it happens, Japan's economic progress up to 1937 had been phenomenal. Export trade was increasing rapidly, as was employment. National income was growing. Living standards were rising. Japan was rapidly developing into one of the world's leading industrial nations.

This extraordinary development was brought to an abrupt halt by the invasion of North China two years ago. Unable to overcome China by the mere show of military might, Japan was compelled to prepare for protracted fighting. One of the first victims was Nippon's prosperous export trade, which had to cope not only with curtailed markets and various restrictions, but also with a drastically reduced inflow of needed raw materials. As the peace industries began a rapid decline, in their wake came unemployment, a major crisis in the ranks of the never strong middle class (petty manufacturers, artisans, shopkeepers, etc.), and intensified concentration of capital in the hands of a few super-trusts. All available capital went into the non-productive munitions industry, salaries were slashed and consumption of all commodities, including those of daily need, was reduced.

A similar crisis occurred in the agricultural areas, denuded of their men folk by conscription and the call of relatively higher wages in the munitions industry, suffering from the lack of horses, machines and fertilizer and over-burdened with taxes. The birth-rate showed a disastrous drop. The ambitious Japanese projects for the exploitation of the "occupied areas" in North China were gradually shelved for lack of funds. Faced by the impossibility of winning new battles in China, the fighting services began to bolster public morale by deliberately exacerbating relations with foreign powers—Russia, Britain and France.

This gloomy picture of Japan today will not be found in Mr. Ashai's book, for the main reason that he has ignored everything that had happened in the past, say, 18 months, preferring instead to go into a lengthy examination of ante-bellum statistics.

Where Mr. Asahi steers clear of statistics he displays such pearls of unbiased judgment as the following:

"The plan of industrial expansion formed in the early part of 1937 had as its object a certain degree of self-supply in raw materials and industrial equipment which was to be attained generally within five years. "Manchukuo" had adopted a similar plan in 1937. The liberation of North China from anti-Japanism subsequently added a new element to the plan. Japan may now look forward to North China for the supply of raw materials such as iron ore and coal . . . . The plan, therefore, has to be revised to meet the new situation. The Planning Board of the Cabinet was for some time engaged in revising the plan so as to embrace Japan, 'Manchukuo', and North China."

One, however, recalls very recent reports of the disastrous drop in Japan's imports of North China's raw cotton as the result of guerrilla activities, and similar reports of difficulties in connection with the transportation of Shansi coal to the coast.

"As the present writer drove through a blinding snow storm along the bleak sandy coast of this district in March, 1939, he could not help seeing a new horizon in the future of Japanese heavy industry. Girls at the lathe! Plentiful supplies of healthy and reliable labor combined with cheap electricity is bound to revolutionize the Japanese machinery industry, just as the cotton spinning industry has built up its prosperity on this efficient and abundant labor. The difference will be that whereas the country lasses have to


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In re

ESTATE

of

WILLIAM COOK BELKNAP

deceased.

**NOTICE OF HEARING**

Pursuant to an Order herein made Notice of hearing for Probate of the instrument purporting to be the Last Will and Testament of William Cook Belknap, deceased, will be heard on the 9th day of August, 1939 at 10 o'clock in the forenoon in the Court Room of the United States Court for China at Shanghai.

WILLIAM T. COLLINS
Clerk.


go to the towns where the cotton mills are situated, in the case of the machinery industry, the lathe will move into peasants' homes, so that these girls need not forsake their loved homesteads in order to seek their living in industrial towns."

This lyrical outburst, however, completely ignores the fact that the lassies have been compelled to make precision instruments for the non-productive munitions industry only because their brothers, husbands and lovers—to a total probably nearing 2,000,000—have been sent to Manchuria and China. Also ignored is the fact that the girls are working for starvation wages, which they accept only because they are still higher than the livelihood which they can obtain from their fields.

And a final quotation, culled from several parts of the book, to indicate the quality of the book and its arguments:

"Japan is linked to Italy and Germany by their common opposition to communism. She opposes communism—that inhuman intolerance the avowed object of which is the destruction of the Emperor, religion and conscience, degrading mankind into a tool of doctrine, a servant of materialism. Japan is neither totalitarian, democratic, liberalistic nor communistic. She presents none of the essentials which seem to be the requisites for a totalitarian State... Japan is linked to Italy and Germany, not to Fascism nor to Nazism. Fascism is for Italy, Nazism for Germany and Japanism for Japan. The Japanese do not condemn Fascism nor Nazism as many Englishmen and Americans seem to find delight in doing. Firstly because they think that each of these "isms" is good for the country in which it is applied. Secondly because they do not see anything very particularly wrong in these "isms"; they find many ideas in Fascism and Nazism which are common to the Japanese spirit... The cry of democracy—not democracy itself—is a fetish, like the cry for the maintenance of standards of living which was made a few years ago...The Japanese do not regard democracy as a panacea for all political ills. Look at the state of unemployment in those countries. The self-righteous and intolerant spirit which underlies the opprobrium is the back door to communism,..

"The seventy million people of Japan have embarked, like one man, upon the tremendous task of rebuilding China and East Asia. They are determined to make it a success, with or without foreign help. Foreign opposition will only serve to strengthen their determination, for they know full well that they are not out in China for 'conquest.' They are firmly convinced that the New Order in East Asia will be a great contribution to the progress of mankind, and that the world will ultimately come to share with them the ideal of the universal brotherhood of man."

This book is no better than a similar book published by Tatsuo Kawai, spokesman of the Foreign Office. A. L.

## Japanese Soldier Writes

A Japanese soldier, Corp. Ashihei Hino, has written a book of his experiences in China as a common soldier. However, Corp. Hino was no ordinary soldier, for he was a young writer whose previous productions had been published under the name of "Katsunori Tamai." The title of his book, recently published in the United States, is *Wheat and Soldiers*. It was translated into English by Baroness Shidzue Ishimoto. Due to the fact that the book describes the brutalities of the war, speaks favorably of the Chinese soldiers and expresses sympathy for Chinese civilian victims, it has been widely circulated by the Japanese propaganda groups as an offset to stories of Japanese brutalities.


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